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Studies in

INDO-BRITISH ECONOMY HUNDRED YEARS' AGO

BY

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WITH AN INTRODUCTION
By
PROFESSOR RADHAKAMAL MUKERJEE

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PREFACE

These chapters were submitted as a framework for investigations under the terms of the Premchand Roychand Studentship of the Calcutta University in December 1944, and by no means pretend to be a complete treatise. I was encouraged to publish these chapters by the appreciative remarks of Professor Radhakamal Mukerjee, M.A., Ph. D., at present Economic Adviser to Gwalior State and Professor S.G. Panandikar, M. A., D.Sc., I. E. S., Bombay. Dr. Mukerjee advised their immediate publication in the present form and I have accordingly made no alterations. Dr. Mukerjee in his Introduction has painted in clear relief the background of the facts and forces described rather tersely in my text and it is needless for me to offer any introductory remarks in the Preface.

My sense of thankfulness to Dr. Mukerjee for his Introduction cannot be over emphasised. I have to record my obligations to the authorities and attendants of the Imperial Record Department (New Delhi) and the Calcutta University Library for the facilities granted and services rendered, as also to a large number of friends for their encouragement in carrying out these investigations in the midst of adverse circumstances.

July 1946.

INTRODUCTION

I am honoured by the request of the author to introduce this original and interesting treatise on the economic history of India in the mid-nineteenth century. It is a scholarly, well-documented work that fills with distinction an important gap in the literature on Indian economic history, dealing succinctly and lucidly with the forces of social and economic transition from handicraft and trades capitalism of the 18th century to capitalistic enterprise under the British auspices. No other author has traced in this manner the beginnings of modern capitalism and business enterprise in India, geared to the wheels of the British industrial machine. The new economy rose out of the disintegration of the older economic system under which in the 17th century India was the richest country in the world—the agricultural mother of Asia and the industrial workshop of civilisation.

World economic unity was first achieved with the systematic contacts between Asia and Europe as the result of Potuguese, Dutch and British maritime adventures in the 17th century. In this structure of international intercourse India occupied the central position as she supplied food-grains to various countries in Asia and cloth, silk and luxury goods to every part of the civilised world, and directed to her own shores the entire world current of the precious metals, replenished by the Spanish conquest of Peru and Mexico, for being coined into Indian money. The new international economic structure was, however, developed from the mid-eighteenth century with Holland and Britain playing the central roles and transforming the economy of the whole of South Asia by their capitalistic enterprise and commercial and political hegemony. Mr. Sinha takes up the study of British capitalistic evolution in India in its first authentic beginnings in the coastal regions of Bengal, Madras and Bombay. The Charter Acts of

1813 and 1833 form the most important signposts in this development.

The beginning of the 19th century witnessed the abolition of the East India Company's monopoly in Indian trade with the enactment of the Charter Act of 1813 and the accrual of the rights of British citizens to trade and hold land in India. Thenceforward private merchants and traders could explore and develop the Indian market for British-made goods, the E.I, Company's hands being much too tied with political activities. Moreover, the Company had misgivings now and then that the destruction of Indian manufactures would ultimately lead to the diminution of remittances on private or public account and loss of revenue. Private English traders and industrialists would harbour no such fears and scruples. The first decades of the 19th century also saw the beginning of the virtual ruin of the Indian textile industry. The export to England of Indian cotton and silk goods was still being maintained at a very high level amounting annually at the opening of the 19th century to about £ 2·5 millions as compared with about £1 million at the beginning of the 18th century. Yet the way was being prepared in every manner towards dislocation and extinction of the handloom industry. By 1820 the power-loom industry was getting itself established in England and it took only another quarter of a century for the Lancashire industry to become pre-eminent enough to justify the boast of Sydney Smith (1845) : "The great object for which the Anglo-Saxon race appears to have been created is the making of calico." Meanwhile several chambers of commerce founded by the British in Bombay, Bengal and Madras between 1834-36 were collecting information about the customs and tastes of the Indian people in order to push British textile goods. The Indian handloom industry simultaneously lost both the British and the home markets. The former was lost due to prohibitory and

sumptuary laws against the use of printed Indian calicos in England that were being enacted since 1701 and 1720 while in India the competition with British machine-made goods, the destruction of Indian shipping, the exemption of the British merchants from the payment of customs duties, transit duties and other charges and the establishment of British monopoly in the Indian cloth trade virtually destroyed the handicraft. At the same time the merchant class was hard hit by differential trade monopoly and extra-ordinary privileges at home in favour of the European and specially English merchants and factories "as if they were even more than the natives." As early as 1788 Lord Cornwallis could state: "Merchants from the upper parts of Hindustan were in fact expelled and those concerned with exports by sea discouraged."

Up to the mid-18th century the Indian traders and merchants invested their capital in a large variety of handicrafts and luxury industries and in the vast inland trade and export of cloth goods, saltpetre and articles of luxury. The total annual export of cotton goods by sea from India alone may be estimated as between 50 and 60 million sq. yards in the 17th century. Some of these merchants grew to great political importance. The influence of the Jagat Seths and of Umi Chand on the politics of Bengal before the Battle of Plassey and of Arjunji Nathjis in Western India is well-known. When different powers were contending for supremacy in Bengal and Gujerat, it was the services of these Rothschilds of India which paved the way for British supremacy. Mr. Sinha has given a detailed account of the fall of the big mercantile Kuthis (houses) that established a virtual monopoly over large regions and freely lent capital to the English factories and merchants. As a matter of fact the Jagat Seths and Nathjis, bankers and agents of the Company, were directly responsible for its influence in the Delhi and Provincial courts.

The policy of Lord Cornwallis favoured the zamindars and revenue farmers against the merchants. It was the new class of zamindars created by the Permanent Settlement who became the most important allies of the British rule. With the gradual decline of trade and industry in the country the intelligent middle class sought entry into the Company's servicees and Bentinck's educational policy filled the gap left by the all-round decline of industrial and trading activities that robbed the people of their means of livelihood. At the same time the belief and tradition were implanted especially in Bengal that men can gain social prestige only by acquiring land and becoming zamindars. Yet there was the shining example, adduced by Mr. Sinha, of Dwarkanath Tagore (1794-1846), ancestor of Rabindranath, who was the first Indian entrepreneur, owner of a colliery and many indigo factories, planter of sugarcane and founder of a business house that had connections with the West. But large scale industrial development and estate agriculture for Indians had to encounter insuperable obstacles. As India was converted into a raw-material region even capitalistic agriculture of silk, indigo, tea, cotton, coffee and rubber became a British monopoly. This made even more acute the process of rural unemployment and pauperisation. Yet oblivious of these George Thompson was preaching in India (1842) that it was, "honourable, humane and patriotic commerce that embraced the dearest interests of England, the social elevation of millions in India and the personal freedom of millions elsewhere." At the bottom of the social fabric the increase of population, fractionalization of land and rack-renting were then producing the landless proletariat in large number for the first time. In other countries these migrated to towns with the rise modern industry. But in India industrialization was discourageed for several decades more, and the first migration of agricultural labourers was from Bengal (from the precarious

districts of Midnapore, Birbhum, Bankura and Burdwan), Chota-nagpur, Malabar and Coromandel, to the French and British colonial plantations across the Indian Ocean. Overseas migration started about the year 1819 with the movement of indentured coolies to Mauritius and Bourbon from the ports of Calcutta and Madras. (Prior to this St. Helena received ten slave labourers from Malabar in 1757, and this movement seemed to have persisted till the end of the century). This movement expanded later on filling the vacuum caused by the abolition of slavery in 1833, creating new colonial wealth and transforming British tropical colonies suffering from a chronic scarcity of labour into prosperous gardens. How easily it is now forgotten that the emigrant Indian workers, petty traders and merchants were formerly the backbone of the economic structure of whole regions of British tropics! The Nabobs of Bengal bred more Nabobs of the British Empire, in the West Indies and South Africa. Though they were 'purse-proud barbarians' and attacked every borough in England, it was their newly acquired wealth which financed the industrial revolution in England and her colonial expansion across the Atlantic. Mr. Sinha has thrown a flood of light not merely on the development of a new social stratification in India analysed with a Marxist touch, realistic and edifying, but has also shown full awareness of world-sweeping economic forces and changes that link the economic history of one country with that of another. He has given us a book full of interest for all students of economic history and imperialism, and his investigations contribute materially towards an understanding and interpretation of economic happenings as these cross the boundaries of oceans and continents as well as phases of social transformation that are also universal and recurrent among different peoples of the earth.

GWALIOR, RADHAKAMAL MUKERJEE
RATHA-JATRA, 1946.

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PART I

CHAPTER I

THE CHARTER OF LAISSEZ FAIRE : ITS IMPLICATIONS

The Charter Act of 1833 (3 and 4 William IV, c. 85) was as much in the logic of history as in consonance with the *zeitgeist*. It was caused as much by the inexorable forces of history, that is, the needs of the moment, as by the bourgeois ideology of free-trade. The ideal of *laissez faire* was the weapon with which the newborn western capitalism dismantled the relics of feudal economy at home and raised abroad its own edifice of inter-national economics. The Charter Act of 1833, conventionally hailed as a piece of liberal legislation, was a concrete expression of this bourgeois ideology. It turned to be a cornerstone of British capitalist economy. It not merely did away with the East India Company as a commercial body, it did something more. It acted as the "open sesame" for British mercantile enterprise inside India and the East. An analysis of the motives underlying the principal provisions of the Charter Act will bear out this contention.

The Motives. By the Charter Act of 1813 (53 George III, c. 155) the monopoly of the E.I. Coy. had been put an end to, and private traders or free merchants were permitted under special licence to trade lawfully. By the Act of 1833 the Company was entirely shorn of the "right to trade for their own benefit in common with other His Majesty's subjects" (Clause 1). It was further enacted that it should be lawful for any natural-born subjects of His Majesty to proceed by sea to the Company's possessions, to reside therein, to acquire and hold lands or to make profits out of such residence, without licence (Clauses 81-86).

Now as to why the Company's commercial existence was terminated. The Company was fast outgrowing its mercantile

role and becoming a Raj. It was earning its livelihood by wars and conquests, government and diplomacy; and its original occupation of commerce was proving a white elephant. As Holt Mackenzie, the distinguished Bengal Civilian, confessed before the Parliamentary Committee in 1832 ; "The Government of India has quite enough to do in the political management of the country without having any concern with commerce; they never have paid and never can pay that attention to the commercial affairs of the country which they ought to pay in order to trade to the most advanage."[1] As an instance of the Court of Directors' lack of interest in non-political adventures may be mentioned their indifference, which was the same as hostility from the viewpoint of the private merchants, to the projects of steam-transport between India and the United Kingdom.[2] So the Act of 1833 was the legal expression of the fact that the E. I. Coy. was not truly functioning as a company. Since 1825 the Company was not exporting goods to India on their own account for sale and shortly afterwards they had abandoned the import into Britain of all articles except raw silk, a small quantity of manufactured silk, saltpetre and indigo. Most of their factories had been closed. Secondly the chief lesson of the period since 1813 was the superiority of the private merchant to the salaried servant of the Company in conducting Britain's growing foreign trade.[3] Yet the existence of an old commercial body was by itself sufficient to scare away host of potential merchants or mercantile enterprises from the field. There was also the complaint of wanton interference by the Company's officials in the activities of the private traders. Hence the statutory termination of the

[1] PP 735-II of 1831-32.

[2] Hoskins : *British Routes to India* (Lond. 1928) pp. 108-113.

[3] Hamilton : *Trade Relations between England and India* (Cal. 1919) p. 208.

spent up mercantile character of the Company was called for. The provision for unrestricted entry into India of "all natural-born subjects of His Majesty" was an integral part of the whole project. Otherwise the very object of chartered laissez faire would have been frustrated. Any restriction on free entry, as the old licence system was, would have been a restriction on open competition for exploitation of India's natural resources. Workshops of Britain were demanding the raw materials from the tropics. No experiments in cultivation and marketing of the required raw products could be effected by a handful of 'censored' beings.[4] Hence the capitalist outcry against the licence system.

Outlet for British Capital and Enterprise. Ever since the termination of the Napoleonic wars the British money-market had been growing steadier year by year and outgrowing rapidly the geographical limits of Britain. In quest of higher returns British capital was flowing into France, the Mediterranean countries and even America.[5] The removal of the E. I. Coy's monopoly in 1813 gave a fillip to financial ventures in the East. But the requirement of licence was like

[4] There was an irresistible demand for "the Investigation of and Publication to the Manufacturing world of the very varied Natural Products of India." Royle : *Essay on the Productive Resources of India* (Lond 1840), p. 447. In the thirties and forties a large portion of the Indology of the different Asiatic Societies related to flora, fauna and minerals. Along with the travel-journals of Eden or Fanny Parkes, the memoirs of Honigberger, Jacquemont and Moorcroft were among the best sellers from Eastern literature. There cropped up a huge mass of technical works on cotton, silk, tea and indigo. It will be sheer waste of space to enumerate these works. It may also be pointed out that the Revenue Consultations in the I.R D. for the period 1830-45 abound with detailed references to such experiments and enquiries into the tropical products including minerals.

[5] Jenks : *Migration of British Capital*, Chs. II and III.

the fly in the ointment and the demand for unrestricted entry was the cry of the "havenots" among the British bourgeoisie. The provision for unrestricted entry had nothing much to do with the real "havenots" of Britain. It was clearly understood that "the mere agricultural peasant or the lowest description of artisan" from Britain could never have a possible means of subsistence in India. Fortunately for British capitalist classes India was the reservoir of cheap labour power and British ploletariat would not venture to come in battalions in view of the skill of native work-men and because of the rigours of climate. This deduction is irresistible from the evidence of Civilian Lushington before the Parliamentary Committe of 1832.[6] He considered it of 'advantage' for Britain to send both big and small capitalists to India.[7] In the eighteen-thirties there was no fear of rivalry from France or Holland. Nor was any body besides the natural-born subjects of His Britannic Majesty to be invited to settle in India. The time was opportune for the export of English "capital and intelligence" was the opinion of Holt Mackenzie who knew that the natives seemed "as yet to have little or no turn towards agricultural or commercial pursuits."[8] So India was fit for any capitalist adventure. 'Now or never' must have been the motto of the 19th century Argonauts for the Golden Chersonese.

The Charter of 1833 was an invitation alike to British enterprise and capital, skill and money, intelligence and finance. There was no apprehension of substantial portions of British national income being risked in the East. W. B. Bayley, a Civilian from Bengal, in his evidence before the Parliamentary

[6] PP 735-I of 1831-32. Q. 1003.
[7] *Ibid*, Q. 1004.
[8] PP 735-I of 1831-32. Q. 748.

Committee[9] plainly stated: "I do not think that Capital would be sent from England, but I think that capital which would otherwise be remitted to England would probably remain in India." To cite Holt Mackenzie again: "I am not very sanguine as to the introduction of capital by direct remittance, though it may be done to a certain extent by commercial speculators employing agents;....there seems to be great scope for men of education, good character and industry. Every European of suitable qualifications, character and industry, who landed in Bengal, if befriended and supported for a short time, would, I think, become a capitalist by force of that character and industry; at the same time, speculators from home might also send out capital."[10] So the clarion call of chartered laissez faire in the Eastern seas was taken up by the entrepreneurs of the petit bourgeoisie of Britain. Britain was to export more of 'character' than of 'capital'.

Projected Effects on Native Standard of Living. "There can be no profitable commerce with a pauper people".[11] Thus prescribed Lord Ellenborough, the Tory antagonist of monopoly in the East. As President of the Board of Control from 1828 to 1830 he had formulated the idea that European science should be utilized to enrich this poor country.[12] This involved the question of standard of living. A rich standard, that is, "English tastes, fashions and habits" could not be expected from a pauper people. Larger emigration of Britishers into India would according to Holt Mackenzie lead to indulgences in English luxuries by the natives.[13] This meant improvement

[9] PP 735-IV of 1831-32. Q. 920.

[10] PP 735-II of 1831-32. Q. 109

[11] Lord Ellenborough to J. C. Herries the Mint Master in 1829. Cited in Imlah: *Lord Ellenborough* (Harvard, 1939), p. 45.

[12] Imlah, p. 173.

[13] PP 735-II of 1831-32. Q. 89-92.

in the volume and quality of consumption which would not only cause a larger demand for consumers' goods from Britain but also swell the revenues of the Company-Raj. "I believe intercourse with Europeans leads to indulgence in the use of wine and spirits, which, though it may be lamented on the score of morals, must be beneficial to the revenue."[14] No comment is called for.

Effects on Finance and Exchange. In a modern community revenue swells not necessarily through taxation but also through increase in the habits of expenditure and in the volume of consumption. While hundreds of local tolls and imports which constituted barriers to internal trade were steadily wiped off during the thirties, fresh sources of revenue were provided by the improvement and expansion of the Indo-British trade.

The full opening of the trade also benefited the system of exchange. When the trade was confined to a few hands the bills could not move freely. Since India was not open to all, the entire money-market of London could not be attracted to the bills of India trade upto the date of liberation of the trade in 1833. So it required disproportionately large capital in the hands of the few India houses for smooth operation of the bills of India trade. As such stock was not always available the British trade in the East could not look for the progress it desired and deserved. The full opening of the trade in 1833 removed these handicaps on the India bills and consequently fostered the India trade.[15]

[14] *Ibid*, Q. 89.

[15] Cf. The examination of N. M. Rothschild before the Parliamentary Committee. (PP 735-II of 1831-32) Q. 2488 Will you have the goodness to state what course you should recommend to be taken in the event of its being necessary hereafter for the government in India to remit

Provision for specie or spot-cash. The Act providing for the abolition of the E. I. Coy's exclusive privilege of tea trade to China and the opening of China trade in the same year (3 and 4 William IV, c. 93) was a necessary adjunct to the Charter Act relating to India. From about 1757 China trade

annually from India to this country, an amount varying from two to three millions sterling? I should recommend to the Govt. for a few years to try gradually to remit in specie, either silver or gold; and as the trade from India will be open then the Government can give great facilities to different people in trade; they may then take bills on England. Hitherto the trade from this country to India has been carried on through the India Company and half a dozen India houses; if you wish to sell on the Royal Exchange a bill on India, the only purchasers were such houses as Messrs Fletcher and Alexander, and Messrs Cockerell and others. To this trade a great capital is wanted, as the bills which go to India will be six months going, and until the returns will come again will be from six months to eight months more; on that principle it is not possible that Government can sell immediately so many bills on the Royal Exchange, as there is not capital enough on the Royal Exchange for that object at present, as particularly the trade of India is only in a few hands; but if the India trade were opened, there is no doubt in time a great many bills could be sold on the Royal Exchange to different merchants who will then deal to India, but for the present I think the Government would do well for their own purpose, gradually to send from India specie, and in that case not to oppress the market in India, to establish an office there, and the party who receives the money in India to lend the money to some of the merchants at a small rate of interest, and gradually remit it home in specie, or lending the money to merchants that will keep the money in circulation, which will do good to the Government and to the merchant; and if the Government wants money to issue exchequer Bills upon that money which they receive. Suppose that money cannot be remitted as it shall be wanted in England in six months, and that the people in India will be obliged to have more time, 12 instead of six months, if the Government want money, they may for that little time issue Exchequer Bills to straighten their accounts till the money comes in; this is the best course I can recommend to the Government.

had to be financed by export of bullion from India, since the balance of Anglo-Chinese trade was always in favour of China.[16] In the early years of the nineteenth century the English traders discovered that there was only one commodity for which a Chinaman would pay in cash or which a Chinaman would accept in lieu of cash against his tea or silk, namely opium. Both on the score of morals and international law it was an article of 'traffic'. But for the E. I. Coy. it was a principal source of revenue ; the Company had established its monopoly over opium production in India. By 1831 the Company had set the opium production on a sound basis and allowed private enterprise to participate in its marketing.[17] This step was obligatory since in view of China government's ban on opium the Company could not continue the carriage of opium in its own vessels. Upon the opening of China trade in 1833 the traffic increased by leaps and bounds. Thus was solved to a great extent the century old problem of providing ready money to meet unfavourable balance of trade in the East.[18]

On the otherhand the continuance of the monopoly of China trade would have proved harmful to the interests of the consumers of tea at home. It would have also prevented the rise of capitalist enterprise in Assam which necessarily started with tea-plantations.[19]

[16] Durga Prasad, *Foreign Trade*, p. 53.

[17] Mills : *India in 1858* (Lond. 1858), pp. 123-27 ; and *Imperial Gazetteer*, IV, pp. 242-4. For contemporary views on 'opium traffic' see Thelwall : *Iniquities of opium trade* (Lond. 1839) ; Peggs : *A voice from China and and India relative to Opium* (Lond. 1846) and Matheson : *What is Opium Trade ?* (Edin. 1857).

[18] Cf. Fay : *Great Britain from Adam Smith to the Present Day* (Lond. 1932), p. 125.

[19] The horticulturists in the Company's Service had been pressing for a long time for cultivation of tea in Eastern India, The Court of

Effects on Indian Economy. In its result the Charter Act happened to be the death blow for native industries. Ever since the beginning of the century Indian industries had been fighting for existence against the imported machine-made goods. The decline had been more marked from the termination of the Company's monopoly of India trade in 1813. As pointed out earlier the hands of the Company were heavy with political functions and it was the private traders who were nursing Britain's foreign trade in the East. Naturally the private traders were better salesmen for the merchandise of industrialised Britain. The political economy of the private traders demanded complete annihilation of the native industries while the officials of the Company were opposed to any such scheme. "If all the articles of the manufacturing produce of India are swept away, and no new ones created to supply this vacuum on the exports, how will it be possible for commerce to be carried on and how can any remittances on private or public account be made to Europe ?....it will no longer be possible to realise the revenue at its present normal amount."[20] The private traders had different interests in view and their political economy stood for wholesale conversion of tropical regions into depots of raw materials and markets for finished goods. The Charter Act of 1833 sealed the fate of the great textile industry, which was declining but not yet dead.[21] Within twenty years of the free entry of Europeans, thorough surveys into marketing possibilities for English-made consumers' goods were carried out.[22] Agents of Liverpool and Lancashire

Directors did not consider it a practical proposition in view of their monopoly over China tea.

[20] Lord William B ntinck's Minute of 30th May 1829. PP 734 of 1831-32, App. pp. 275-6. See also Kaye : *Tucker*, p. 491.

[21] Birdwood : *Industrial Arts*, II, pp. 249 and 252.

[22] The Bengal Chamber of Commerce (founded in 1834), the Bombay

were not only collecting information about customs and tastes from different parts of India, but were also creating a demand for the imported wares.

It was in more than one sense the period of dress rehearsal for British capitalism in India. The period not only witnessed the conversion of India into a "quarry" of raw materials, as the rapid growth of plantations in indigo, cotton, tea and coffee indicates ; *pari passu* the period witnessed the decline, and in some cases the end, of all the industrial arts of India. The tremendous success of this capitalist enterprise held out the possibilities of development of large-scale modern industries on the soil of India itself. Towards the middle of the nineteenth century British capitalism had attained its apogee and in near future would be subject to the law of diminishing returns.[23] Capital was accumulating at a rapid pace and joint-stock entrepreneurs were looking beyond Europe. So in the third quarter of the century capital began to flow in bulk towards the East and ultimately ushered in the era of modern industry in India.[24] The motives and effects of this phase of foreign capitalist enterprise lie beyond the scope of this study.[25] We have made this digression to indicate its link with the charter of laissez faire. The place occupied by the Charter Act of

Chamber of Commerce (founded in 1836) and the Madras Chamber of Commerce (founded in 1836) were all acting as clearing houses for information. Sometime after the Manchester, Liverpool, Blackburn and Glasgow Chambers of Commerce sent a joint surveyor. See Mackay : *Western India* (Lond. 1853).

[23] Sydney Webb in 1923 categorically asserted that the British capitalist civilisation had spent itself out by the middle of the 19th century. See *The Decay of Capitalist Civilisation* (Lond. 1923).

[24] Jenks, *Migration*, Chs. VII, X, and XI.

[25] Reference may be made to Buchanan : *Development of Capitalist Enterprise* ; Hubbard : *Eastern Indnstrialization* ; and Venkatasubbiah : *Structural Basis of Indian Economy*,

1833 in the history of British capitalism is not well recognised. In reality it brought in a new world to redress the balance of of the old.

The success of this foreign capitalist enterprise in its two successive stages raises a number of queries. Did the Indian people oppose or tolerate the destruction of their old economy? Were they incapable of or hostile to modern industrial development? What was the role of the state in this story? All these points will have to be dealt with in a spirit of scientific investigation and in the following chapters a tentative sketch is offered.

Two Contemporary Commentaries. Before concluding this chapter we have to take notice of two contemporary commentaries on the Charter Act of 1833. We reproduce in extenso extracts which have a bearing on our study. The first commentary was a state document, a Despatch from the Court of Directors dated 10th December 1834.[26] It conveyed the instructions of the Court to the authorities in India. The other was a speech delivered at a public meeting in Calcutta on the 5th January 1835. The speaker Rasik Krishna Mallik, was a brilliant scholar of the Hindu College.[27] A spirited youth with critical acumen Rasik Krishna was outspoken in his denunciation of any public wrong. His appointment as a Deputy Collector in 1837 bears testimony to Lord Auckland's wisdom. He had early acquired fame for drive against corruption in the courts.[28]

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[26] I.R.D.: Letters (Home Pub) from Court, No. 44 of 1834.

[27] *Calcutta Monthly Journal*, 1835. The whole speech was reprinted by J. C. Bagal in *Modern Review*, 1933.

[28] BNB, II, pp. 14, 275 and 328. For Lord Auckland's policy towards Indian intelligentsia author's article in *Calcutta Review* (February 1942) may be referred to.

Despatch on the Charter Act. The relevant paragraphs are reproduced first and a few comments appended at the end.–

"43. Whatever provision may be made against occasional abuse, the views of Parliament in opening the interior of India to Europeans are to be carefully kept in recollection. The clauses which effect this great alteration in our Indian policy, are not *restraining* but *enabling* enactments. The legislature has avowedly proceeded on the principle, that generally speaking and on the whole, the increased entrance of Europeans into the interior of India their increased power of blending their interests with those of the country, and their increased opportunity of freely associating with the native, will prove beneficial to the native people and promotive of their general improvement, and prosperity. That which the legislature has thus assumed is also to be assumed by us and by you. Your laws and regulations therefore, and also all your executive proceedings in relation to the admission and settlement of Europeans, like that law of the Imperial Legislature out of which they grow, must generally speaking and on the whole be framed on a principle not of restriction but of encouragement. The conditions which you shall see fit to impose on private persons coming from Europe for the highly proper purpose of placing and keeping them within the supervision of an all seeing police, must not be more than necessary for that object. The regulations which you shall make with the just and humane designs of protecting the natives from ill-treatment, must not be such as to harass the European with any unnecessary restraints or to give him uneasiness by the display of improper distrust and suspicion. Laws framed in such a spirit tend to produce the very mischiefs which they aim at preventing. To the evil minded they suggest evil; they furnish the discontented with materials or pretexts for clamor; and they irritate the peaceably disposed into hostility.

"44. On a like principle if any act of insult or outrage should occur which loudly calls for redress, and for which the law affords no remedy, the arm of power must interfere, but here also caution is to be used. The necessity for interposition must be clear, and its limits must not be exceeded. Flagrant wrong is not to be permitted; but neither is it to be repressed by too officious or too violent an effort on the part of the Government. Care above all things should be taken not to make casual misconduct the occasion of harsh legislation. To put down abuse

even by a strong act of authority, were better than to give it importance and in some sense perpetuity, by founding on it, when it takes place a severe and undiscriminating law .

"45. Similar observations seem to us to apply to the opportunities to be afforded to British Europeans of holding land in the interior. By the 86th Clause of the Act such natural born subjects of His Majesty as are authorised to reside in the Country, are also authorized to hold lands, or any interest in lands for any term of years in the places in which they are so authorized to reside. Thus far the right is absolute, but there can be no question that the Government is authorized to determine to a certain extent the mode in which that right shall be exercised, both in virtue of the paramount power which belongs to all Governments of regulating the conditions attached to the enjoyment of property, and under the special clause already mentioned which makes it the duty of the Governor General in Council to provide by law, for the protection of the Natives from the injuries to which the entrance of Europeans may render them liable. The tenures of land in India are so dissimilar to those of Europe, that a European purchaser, unless furnished with peculiar means of information is ever in danger of misapprehending the precise nature of the interest which he has acquired. In Bengal for example he naturally applies to the relative positions of the Zemindar or other Superior, and the Ryot, the idea, rooted in an European mind of the relation between Landlord and Tenant, and if he should purchase the interest of the Zemindar, he will be apt to conclude that he has acquired that of the Ryot also, and that he may at once proceed to a course of ejectment. If too well instructed to be thus mistaken, yet he is little likely to form an accurate conception of the rights of the cultivator, or of his own, and may by ignorance alone be led to commit acts of injustice ; against these evils some provions should be made.

"46. Under the operation of the act, it will we conceive be one amidst the many duties of the Law Commissioners, to review the modes and forms of Indian Conveyancing, and to consider of what improvement they may be susceptible, with a view to give facility to the transfer, and stability to the possessions of real property. Probably however it will be necessary for you immediately and before the Commissioners can proceed for in their enquiries to publish regulations on this subject, prescribing proper modes of conveyance, in sufficient variety to meet the several cases which seem likely to occur, together with *formulae* adapted to each case. We would also suggest the establishment of offices for the

registration of all transfers of land, or any interest in them; such registration to be compulsory, under such penalties as may appear to you requisite. We further think that independently of any laws and regulations you should take means of supplying such Europeans as may be disposed to acquire lands in the interior with authentic information, popularly conveyed respecting the general nature of the Indian tenures as they now subsist, and especially in reference to the interests of the Ryots or other cultivators.

"47. In acting on those instructions we earnestly desire you to keep primarily in view the interests and the welfare of the natives, but next to this principal object and at no great interval below it we would enjoin you to direct your efforts to the promotion of those liberal purposes that dictated to Parliament, the enactment which you are called to carry into effect. The Act assumes that the British Capitalist seeking to establish himself in the country comes as a friend, not as an enemy, and the policy of the Act would be defeated if the designs of such persons were to meet with any unnecessary hindrance or embarrassment.

"48. We are aware that the restraints which your regulations of the 7th May 1824 and 17th February 1828 laid on the acquirement and ownership of land by Europeans, were partly intended for the protection of the European buyers rather than for that of the natives who might be affected by the sale. We have remarked above on the ignorance of Europeans respecting the nature and incidents of landed property in India, and their (Sic) can be no doubt that they might be led by that ignorance into improvident speculations, but we suspect that, in this as in many other cases, men must in a good measure be left to gather wisdom from experience. We are not convinced that Europeans seeking an interest in Indian land, either need or have a right to demand any further or other protection than the law grants to natives under the same circumstances. We are here speaking it will be observed of legal protection, not of the protection which Government may indirectly afford to the persons in question by taking measures to supply them with a better knowledge of the subject matter of their speculations. In effect it is generally admitted that the Regulations alluded to of 1824 and 1828 impeded and discouraged those investments in land which they were on the contrary intended to aid and facilitate.

"49. Before we take leave of the 86th Clause of the Act we must advert to the proviso, that nothing contained in the Act shall prevent you from enabling by Law or otherwise, any of the King's subjects to

acquire or hold lands, or any interest in them, in any part of the Indian Territories and for any estates or terms whatever.

"50. This proviso, it will be observed is permissive not imperative. It simply leaves to the Supreme Government as the local organ of the Company, the liberty of putting in force whatever right the Company independently of the Act possesses of enabling British subjects to hold land any where in the Country and for any estates whether of inheritance or otherwise. That such right belongs to the Company and may under their control be exercised by you will not (we think) admit of a doubt but unless some very strong and urgent reasons for the exercise of it in a particular case, can be shewn, we should not wish it to be exercised until the matter shall have been referred to the consideration of the Home Authorities, and at all events we must desire that no general scheme or plan of the sort be adopted without such previous reference and consideration."

Clothed with platitudes for the natives, the Despatch clearly hinted that all possible facilities should be extended to the capitalists settling in India. The necessity for importation of the English concept of conveyance was felt for the security of the English settlers. Thus originated the law of registration in India which in the 19th century expedited the alienation of lands by the peasants.

The Speech of Rasik Krishna Mallik,[29] "Gentlemen, Mr Dickens[30] has drawn your attention to some of the most important defects in the new Act of Parliament and certainly, after a careful perusal of it, however much it may have been intended for the better government of His Majesty's Indian territories, I cannot come to the conclusion that the clauses contained in it do in any way tend to their better Government (Cheers). The more I have perused it the more I have perceived that the motive which guided those who passed it was—self. (Cheers). It

[29] I relegate my comments on this speech to footnotes.

[30] Theodore Dickens, a leading planter and a leading merchant moved the resolution for amendment of the Act. Dickens was a critic of the vested interests of the E. I. Coy. He worked for abolition of slavery in India and was the Chairman of the Committee on Coolie Emigration. He opposed emigration. His enemies insinuated that he was engineering for cheap labour inside India. PP 26 of 1842.

was passed not for the benefit of India but for the benefit of the proprietors of India stock, and the benefit of the people of England, while the welfare of the millions who inhabit these vast regions was not at all cared for. (Cheers). Mr Dickens has directed your attention to the commercial debts of the Company being paid out of the territorial revenues. I think that unjust, and it shows the British Parliament were looking to the interests of the proprietors of the East India stock, and not to those of the inhabitants of this country. (Loud Cheers). We were already burdened with a heavy debt, and yet the British Parliament entailed upon us an additional burden to pay the commercial debts of the Company.[31] It should have been considered whether those commercial debts could with propriety be paid out of the revenues of this country; if they were incurred through the folly and mismanagement of the servants of the Compay, the burden should have fallen upon them and not upon us.

"Gentlemen, the more I read this Act, the more I am convinced the interests of the people of England were alone thought of. It has been said the tea monopoly has been abolished, and is that a measure to which we can object? No but why was the tea monopoly abolished? for the welfare of the people of India? No. Only for the welfare of the people of England. If our welfare was thought of why was not the monopoly of salt and opium abolished? (loud cheers). Sir Charles Grant[32] promised to do away with it, but when his promise will be fulfilled, heaven knows, I cannot say (cheers and laughter).

"Mr Dickens has alluded to the commercial interests of this country. In vain do I look for any Clause that speaks of the removal of the restriction upon commerce. I recollect Mr Grant said that the merchant of Great Britain was so enterprising, it was impossible not to attend to his calls, and do away with tea monopoly. I cannot say what may be the enterprise of the merchants of Calcutta, but I ask, if those restrictions under which Indian commerce labours,[33] had been removed, whether this country would not have flourished and increased in wealth and power far more than it has done. (Loud cheers).

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[31] See Clauses 9—17 for the financial arrangement devised. I have deliberately omitted consideration of these clauses as also those relating to provision for a large ecclesiastical establishment out of Indian Revenues because of their political associations and because omission of such drainages does not materially affect my thesis.

[32] President of the Board of Control, 1830--34.

[33] Possibly refers to the ban on import of Indian textile goods into England and the ban on Indian shipping industry.

CHAPTER II

NATIVE CAPITAL RESOURCES: SUPPLY AND INVESTMENT.

India's failure to adopt methods and instruments of modern industry is generally accounted for by pointing at the utter poverty of the people. The charge is sought to be substantiated by the fact that modern industrialism in India commenced under the aegis of foreign capital. Indeed even now the bulk of the modern enterprises, however few, small or backward these may be *vis-a vis* American, British or Japanese plants, are owned and controlled by foreigners. But this does not conclusively prove the soundness of the contention that industrialism in India was postponed due to lack of capital resources among the natives of the soil.

A careful reading of the annals of the native banking classes through successive generations leads us to challenge this contention. The East was proverbial for being the sink of precious metals during the middle ages and an unbiassed enquiry into the effects of such accumulations should reveal many unknown niches of our history besides throwing light on the monetary theories.[1] Before the Dutch financiers came to the rescue of the English trading corporation[2] the English merchants trading in India had on many occasions to resort to borrowing of capital from the native bankers.[3] This

[1] In the absence of government bonds or company stocks, precious metals or ornaments served as store of value; under certain conditions hoarding is sound practice. Buchanan: *Capitalist Enterprise*, pp. 148-50.

[2] Hobson: *Export of Capital*, pp. 85 ff and Jenks: *Migration of British Capital*, pp. 7 and 207.

[3] Moreland: *Akbar to Aurangzeb*, pp. 60-62. In Madras the English Company was fortunate in winning the support of the Chetties,

practice persisted in different forms even after the migration of Dutch capital to the London money-market. It will serve our purpose adequately if we confine ourselves to the sifting of evidences of capital accumulations during the Company's rule, 1757-1857.

The Rothschilds of India. This was not an unworthy epithet for the Jagat Setts of Bengal[4] whose transactions in the words of Burke were as extensive as those of the Bank of England. In a smaller field they also did "hold the balance of the world and make politics run glibber all".[5] They financed dynastic revolutions and for more than fifty years the maintenance of law and order formed a principal though imperceptible entry in the ledger of the Setts. The Setts had migrated to Bengal towards the end of the 17th century and soon became the court-financiers of Murshid Kuli Khan. On the Setts devolved the task of remitting Bengal's tribute to the Imperial Exchequer. With their aid Murshid Kuli could

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some of whom consented to be "Company's Merchants" i.e. contractors and agents with their own capital. As early as 1688-89, the year of the Glorious Revolution in the United Kingdom, the Company's Merchants formed a joint-stock organization for managing the Company's Investment. They had a capital stock of Pagodas 20,000 in one hundred shares. Love: *Vestiges of Old Madras* (Lond. 1913), I, p. 417. See also Durga Prasad: *Foreign Trade*, pp. 53-4.

[4] Ghose: *Indian Chiefs etc*, II, pp 345-7 and O'Malley: *Murshidabad District Gazetteer*, pp. 57 68.

[5] "Who hold the balance of the World? Who reign
O'er congress, whether royalist or liberal?
Who rouse the shirtless patriots of Spain?
(That make old Europe's journals 'squeak and gibber' all)
Who keep the World, both old and new, in pain
Or pleasure? Who make politics run glibber all?
The shade of Buonaparte's noble daring?
Jew Rothschild, and his fellow-Christian, Baring."

Don Juan, Canto XII

purchase the continuance of his office as Nawab on Aurangzeb's death and could ultimately render himself autonomous. The Setts hastened the fall of Murshid Kuli's grandson Sarafraj Khan and facilitated Ali Vardi's usurpation.[6] It is said that at the beginning of Ali Vardi's reign the Setts possessed a capital of ten crores of rupees. Soon they established a virtual monopoly in banking over the whole province and all the bankers in Bengal were their factors if not members of their house.[7] With huge cash in their counters they were not only the bankers and treasurers of the Nawab but also of the revenue-farmers and zamindars. During their first invasion of Bengal the Marathas carried from their *Kuthi* two crores of rupees in Arcot coin only, but this did not curb their enterprising spirit, or affect their resources appreciably. They continued their custom of issuing *Darsani Hundies* of one crore rupees.[8] Towards the end of Ali Vardi's reign they had become somewhat pro-British. In 1749 when the Nawab blockaded the factory of Cossimbazar the English got off by paying him Rupees Twelve Lakhs through the Setts.[9] In the conspiracy to dethrone Siraj the Setts were among the ring-leaders. Their services were fully appreciated by the English who entertained them at Calcutta in 1759 at a cost of Rs 17, 374.[10] Their political career was terminated by Mir Kasim who put the leading members to brutal death.[11] The famine of 1769-70 ruined their financial eminence. A scion of the family Rai Dayal Chand was one of the two managers of

[6] SEIR, I, pp. 332, 336 and f.n. and Orme, II, pp. 29-30.
[7] SEIR, II, pp 457-8.
[8] SEIR, I, p. 93 & II, pp. 457-8.
[9] Long : *Selections*, No. 46.
[10] Long, No. 425.
[11] SEIR, II, p. 504.

Warren Hastings' short-lived General Bank of 1773.[12]

Another merchant Omichand who gained notoriety in the conspiracy against Siraj may be mentioned here.[13] He was the principal contractor of the E.I. Company in Bengal and was so solvent and enterprising that in 1748 he proposed to undertake a third of the Company's whole Investment.[14] By presents and services he had acquired so much influence with the chief officials of the Nawab that the Fort William authorities used him for mediation in times of difficulty. He was evidently held in esteem by the Marathas since the English tried in 1748 to recover their plundered goods through his intercession.[15]

Company's First Shroff in Gujarat. Western India in the second half of the 18th century also provided an instance of a single individual, that is the head of a single mercantile family, coming to the fiancial aid and thereby the positive rescue of the Company. In a letter to the *Times of India* dated the 6th September 1881, Javerilal Yajnik gave a sketch of the life and activities of Trawadi Srikrishna Nathji Arjunji, the founder of the greatness of the (now defunct) firm of Arjunji Nathjis of Surat, "whose services were rendered at a time when the different powers were competing with each other for power and pelf and which laid the foundation of England's present magnificent Indian Empire." There are a few points of similarity between the Nathjis of Surat and the Jagat Setts of Murshidabad. Both the houses were originally outsiders ;

[12] Banerjea : *Indian Finance*, pp 66-67.

[13] Orme, II, pp. 50-51, 151-6 & 181-2. According to SEIR (II, p. 228) Omichand was a mercantile agent of Jagat Sett.

[14] Datta : *Studies in the History of the Bengal Subah* (Cal. 1936), p. 120.

[15] Long, No. 13 ; Datta : *Ali Vardi and his Times* (Cal. 1939), p. 103.

the Setts migrated from Marwar to Bengal, the Nathjis moved from Benares to Gujarat. Both the houses gained foothold in the land of their adoption in the beginning of the 18th century, the Setts by allying with the satraps of Bengal and the Nathjis by joining the Arab merchants of Gujarat. Both the firms had the genius and foresight to recognise the rising sun ; from the middle of the century the Setts grew pro-British and the Nathjis veered round the English merchants of their coast.

The Nathjis were in the fifties of the century bankers and agents of the English Company at the Delhi court. They had obtained a *firman* for the castle and a *sanad* for the fleet of the English. By 1783 Trawadi Srikrishna was officially recognised as the *shroff* of the Honourable Company. In fact before the advent of Sir Charles Forbes, the founder of the Bombay firm of Forbes & Co., Trawadi's "rupee loans often proved the the turning point in the Company's fortunes, when the prospects of raising money elsewhere seemed quite remote." In the critical days of 1804 Trawadi poured out thirty two lakhs of rupees in metal only as loan to the Bombay authorities for financing Lord Lake's expedition to the north. In 1813 Trawadi financed the Nepal War though the exact amount he lent is not known. He died in 1822. In the meantime Forbes had inaugurated modern jointstock business in Western India.[16]

Indigenous Banking till 1857. Though the rise of the 'agency houses' and the joint-stock banking at the beginning of the century seriously jeopardised the eminence of the native banking houses, we have evidence of their continuing somewhere in full vitality till the end of Company's rule and even beyond. At the beginning of the century these native bankers possessed, in the opinion of a shrewd financier like Henry St. George Tucker, a large capital ;[17] and presumably this capital

[16] Douglas : *Bombay*, I, pp. 247-68 & 466-72.

[17] Kaye : *Tucker*, p. 403

could not vanish from the moneymarket within a generation. Malcolm in Central India far off from the normal ranges of Bombay, Calcutta or Madras agency houses felt the value of the services rendered by the *shroffs*.[18] The wealth of the South Indian bankers was proverbial. The richest were the *Nattukottai Chetties* whose business extended even to Burma, Malaya and the Eastern Islands.[19] In Ceylon till the forties the *Chetties* "acted as bankers and supplied the British merchant with cash for his Bills of Exchange on Madras, Bombay and Calcutta", and had regular agents in the Presidencies.[20] Major Sleeman, a friendly administrator, writing in 1844 categorically asserted that India's capital resources were enough, only that they were lying scattered.[21]

We cull below pointed evidences of native bankers investing in politics during 1800-1857.

Oudh and Indian Bankers. Native banking firms particularly the Calcutta houses had a conspicuous share in financing the Oudh dynasty ever since it came under British control,[22] and by the eighteen-thirties the Dosses of Calcutta had become for Oudh what the Palmer & Co. was for Hyderabad.[23]

Maratha Shroff and Baji Rao II. At about the same time we come across the intrigues of a Maratha banker with the last Peshwa in exile. This was Tulsiram Mayaram, a banker of Surat having a house in Calcutta and operating in Northern India. In 1829-30 he was detected in plotting. The conspiracy was abortive and not of much importance. But it

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18 Malcolm : *Memoir of Central India* (Lond. 1824), II, p. 90.
19 Sarada Raju : *Economic Conditions*, p. 187.
20 Cooke : *Banking*, p. 364.
21 Sleeman : *Rambles*, p. 422.
22 Basu : *Oudh and the East India Company* (Lucknow, 1943), p. 112.
23 Philips : *East India Company*, p. 283.

reveals that even as late as 1829-30 a not-too-wealthy shroff, for such was Tulsiram Mayaram, could risk an enterprise against the Company-Raj.[24]

Tulsiram Mayaram was perhaps more a politician than a financier for his class interests lay certainly on the side of Pax Britannica and not on the side of feudal anarchy. The Jagat Setts, the Nathjis, the Rustomjis or the Tagores clung to the foreign company not out of any meaningless servility but because it assured them peace, progress and plenty.

The Mutiny. The Mutiny of 1857 found the men of liquid money generally on the British side. The services of Lala Jotiprasad, Bansilal Abechand or the Muttra Settjis who financed the authorities in those critical days were long remembered.[25]

Beginnings of Organised Banking : Indian Capital and Enterprise. The banking institutions of the first half of the 19th century as is wellknown, were of two categories, (i) the Agency Houses like the Palmer & Co. or the Fergusson & Co., and (ii) the banks proper like the Bank of Bengal, the Union Bank or the Bank of Western India.

The Agency Houses did not import "a particle of capital" from the United Kingdom.[26] In the words of Thomas Bracken himself a partner of a Calcutta Agency House, Alexander & Co., "the houses were chiefly formed of gentlemen who had been in the civil and military services, who finding their habits perhaps better adapted for commercial pursuits, obtained permission to resign their situations, and engage in agency and mercantile

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[24] Gupta : *The Last Peshwa and the English Commissioners* (Cal. 1944), pp. 40-41. The I.R.D. documents (Pol. Progs. 16 July, 1830 No. 57) indicate Mayaram's financial embarrassments.

[25] Cooke, p. 14 ; Rau : *Present Day Banking*, p. 251 f n. 2 ; and Ghose, II, pp. 462-3.

[26] Sleeman, pp. 421-3

business. They had of course a great many friends and acquaintances in their respective services and from those gentlemen they received their accumulations. They lent them to others, or employed them themselves, for purposes of commerce ; they were, in fact, at first the distributors of capital rather than the possessors of it. They made their profit in the usual course of trade, and by the difference of interest in lending and in borrowing money, and by commission. In the course of time, carrying on a successful commerce, many became possessors of large capital, and returned to this country, leaving most part of it there ; but the persons who succeeded generally came in without capital of their own, the same system being continued, and those houses became the usual depository of a great portion of the savings and accumulations of the military and civil services in India."[27] Besides the surplus in the hands of the European officers, the capital accumulations of the native bankers were also laid under contribution. The natives were often heavy depositors and in some cases partners or even leading partners.[28]

The part played by native capital and native enterprise in the development of banking proper was also not small. Nor was the banking skill of the natives much at discount. Warren Hastings entrusted the management of his short-lived state-bank to two native bankers: Huzuri Mal and Rai Dayal Chand.[29] Among the first Directors of the Bank of Bengal (Calcutta, 1809) we find the name of Maharaja Sukomoy Roy a well-known philanthropist of Calcutta.[30] It is also interesting

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[27] Evidence before the Parliamentary Committee of 1831-32. Q. 1801 in PP 735-II of 1831-32.

[28] BNB II, p. 246 & III, 289-91 ; Ghose II, pp. 75-81 ; Capper : *Three Presidencies*, p. 382.

[29] Banerjea : *Indian Finance*, pp. 66-67.

[30] Cooke, p. 96. For Sukomoy Roy see Ghose II, pp. 157-60.

to mention the well-known fact that for about 20 years the Dewanship of this bank was held in succession by the Sens of Colootolla, not *banias* but high-caste Hindoos.[31] The connection of Dwarka Nath Tagore with the Union Bank (Calcutta, 1829) is also well-known. In 1833 four out of the twelve Directors of this bank were Bengalis.[32] Among the projectors of the Dacca, Bank (Dacca, 1846) we find the names of Khajeh Alimullah, Khajeh Abdul Gani and Nundlal Dutt.[33] The promoters of the Benares Bank (Benares, 1845), whose failure was hastened by the fraud of some military officers, were mostly Indians.[34] When the Bank of Bombay was opened in 1840 there was such a heavy demand for the shares that the capital of the concern had to be increased from the proposed figure of Rs. 3,000,000 to Rs. 5,225,000 ; of the 5225 shares, each worth one thousand rupees, 1664 were taken by the Indians.[35] Half the promoters of the Commercial Bank of India (Bombay, 1845), which failed due to the cotton-speculations in the sixties, were Parsis. They were Bomanjee Hormusjee, Jeejeebhoy Dadabhoy, Maneckjee Cowasjee Nanabhoy.[36] Limjee, Cursetjee Cowasjee and The first great Indian joint-stock bank was the Central Bank of Western India (Bombay, 1860) which started with a capital of fifty lacs of rupees and whose

[31] BNB II, p. 245 and Ghose II, pp. 127-55.

[32] Cooke, p. 187.

[33] Cooke, p. 235. Khajeh Alimullah and Khajeh Abdul Gani must have been the distinguished founders of the greatness of the Dacca Nawab family. Ghose II, pp. 288-92.

[34] The names indicate that there were two Marathis and at least three Bengalis among the promoters. Cooke, p. 237.

[35] In 1840 there were 12 Native Christians, 3 Moslems, 109 Parsis and 35 Hindoos among the shareholders. Cooke, pp. 164-5.

[36] Cooke, pp. 329-30.

directorate was exclusively Indian. It ran agencies at Calcutta, Hongkong, Shanghai and London.[37] The first institution to cater to small capitalists and to cash small cheques (down to Rs. 5/-) was the Peoples Bank of India Ltd. (Calcutta, 1860). Among its promoters were two Bengalis.[38]

Investment in different fields. Nor was this enterprising spirit confined to banking only. Steam and steam-transport did not fail to attract the attention of the rich people. In 1833 a movement was set on foot in Bengal for introduction of steam-transport between India and the United Kingdom, and also for river navigation inside India. Liberal donations were made by Hindoos, Moslems and Parsis, bankers, traders and landholders.[39] In 1836 Dwarkanath Tagore ventured to purchase in auction an English firm's colliery at Ranigunge for the price of Rs. 70,000.[40] Dwarkanath was also a pioneer in India for introducing improvements in sugar manufacture[41] and for promoting cultivation of flax.[42] The first attempt to start a spinning and weaving mill was made as early as 1845 by Framji Kavasji Banaji of Bombay. The enterprise failed for want of sufficient support.[43] The first steam cotton-spinning factory was opened by Kavasji Nanabhai Davar in 1854 and the first half-yearly dividend was Rs. 600 for a share of Rs. 5,000.[44]

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[37] The first directorate was composed of 3 Hindoos, 2 Moslems 3 Parsis and 1 Christian. Cooke, pp. 375-7.

[38] Cooke, pp. 378-82.

[39] BNB II, pp. 247-9.

[40] BNB III, p. 296.

[41] Vide his evidence before the Emigration Committee, PP 45 of 1841

[42] I.R.D. : Rev. Cons. 22 Nov. 1841, Nos 14-17.

[43] *Bombay Presidency Gazetteer*, Vol. IX, p. 199 F.N.

[44] *Ibid*.

It is also on record how *banians* of very small capital staked their all in trade and accumulated huge profits.[45] Hence the charge that there was no enterprise has to be considerably modified.

Character and dimensions of native enterprise. "They would smile in Lombard Street, I fancy, at the idea of calling this banking."[46] Such was the jeer of a British lady at the Union Bank in 1842. Same must be the feelings to-day of the denizens of Wall Street when presented with the modest ledgers of Clive Street. It is needless to point out that with rather unlimited natural resources and cheap labour capitalist enterprise in India needed not—and it did not—start with astronomical figures. It is also to be noted that it was the old European agency houses and banks of the financial dimensions of the Indian firms like the Carr Tagore & Co. or the Union Bank that set the movement for the foreign capitalist enterprise which was in future destined to successfully introduce modern industrial system.[47] We have yet to admit that the Indian

[45] E.g. Ramdulal Day and Ramgopal Ghose of Calcutta. BNB III, p. 284 ; Ghose II, pp. 75-81. Thomas Bracken's evidence (Q. 1930 in PP 735-II of 1831-32) re ; the rise of Ramdulal Day makes it clear that the Indian Agency Houses or the Indian Stevedores were not patronized by the British merchants though their rates were lower than those of the British Houses. Ramdulal Day and Ram Chunder Mitter persisted in spite of this and rose with the support of the American merchants. Ramdulal, it may be added, participated in the highly adventurous scheme of reclamation and colonization of the Sunderbans. BNB III, p. 168.

[46] *Letters to Friends at Home* by An Idler. (Cal. 1843). p. 58.

[47] The Managing Agency system of later days arose from the ashes of the old Agency Houses. (The Parrys and Binnys of Madras can be traced back to the 18th century. Srinivasachari : *History of the City of Madras* (Madras, 1940) pp. 312-16) cf. Lokanathan : *Industrial Organisation in India* (London, 1935), Das : *Banking and Industrial Finance in India* (Cal. 1936) and Basu : *Industrial Finance in India* (Cal. 1939).

capitalist enterprise one hundred years ago was not so robust and steady as to inaugurate modern industrialism. Except the Parsis and the Gujaratis, no class or community evinced a sustained zeal or a natural inclination for trade and industry in preference to all other professions. Dwarkanath Tagore lives in the memory of Bengal more as a social reformer and a princely benefactor than as a trader or a pioneer of modern industry, more as a patron of English education and the grandfather of the poet Rabindranath than as an entrepreneur or a big labour employer. Even the Parsis and the Gujaratis failed to lay the foundations of industrialism They were till the sixties mostly absorbed in banking and overseas trade. The genius of the masterful engineer Ardeshir Curshetjee the first Indian to be the Fellow of the Royal Society (1841) was locked up in the service of a foreign company[48] when the Indian ship-building industry was perishing. There was adequate money capital, there was genius and there was some enterprise also. Yet India failed to industrialise herself. The seemingly absurd and selfcontradictory phenomenon can be fully accounted for.

Reasons for Stunted Enterprise. 'How' and 'why' of this stunted progress will come in for detailed treatment in the succeeding chapters. Here we may enumerate the causes broadly.

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[48] Born in 1807 to a noted family of ship-builders, Ardeshir became an Assistant Builder while yet a lad. He was a Master Builder at the age of twenty-five and before thirty had established his reputation in mechanical engineering. At thirty-four he was elected an F.R.S. From then till 1857 he was the Chief Engineer of the Bombay Steam Factory and Foundry. In 1861 he was appointed the Chief Resident Engineer of the Indus Flotilla Company at Karachi. Died in 1877 during his fourth visit to U.K. (*Science and Culture*, February 1944) See also Berncastle : *A Voyage to China* (Lond. 1850) I, p. 130.

There occurred an actual drainage of the capital resources of the country which made the mercantile classes less bold than they were previously. Nature had also afflicted them. The famine of 1769-70 in Bengal and that of 1837-8 in Upper India encouraged the habit of so-called hoarding which in fact may be justified as "liquidity preference."[49] The policy of the Company was also to a great extent responsible for the exhaustion of the capital resources. 'Drain of wealth upto 1813, that is, during the period of monopoly is a historical fact.' The following facts may be adduced to support the above conclusion.[50] Gifts, exactions, tributes and restitutions made by native powers or individuals from 1757 to 1766 were actually transferred to England. Secondly private fortunes made by the salaried servants of the Company and the free-merchants constituted a heavy charge on the national dividend of the country. Thirdly from 1757 China trade had to be financed by means of bullion from India. Lastly till 1813 the Investment out of territorial revenues continued with all its implications. In the words of Durga Prasad the articles of Investment "were purchased in India, not from the returns of any capital that had been invested in India either by the English Company or its servants, but from the returns of money borrowed of indigenous bankers in India, and invested in internal and external trade.... Throughout the period of the Company's monopoly it discouraged the investment of British capital in India, and neither its servants nor particularly the private merchants had any to invest.. ." True the major portion of the drain was not in the form of bullion, but there was no commensurate return for the export of this wealth. The Investment system was terminated in 1813. In the meanwhile

[49] Keynes: *General Theory*, pp. 168-74. Cf. Hayek: *Pure Theory*, pp. 400 ff.

[50] Durga Prasad: *Foreign Trade*, pp. 53-7.

the Home Charges had crept in. What is important for our purpose is that from about the time of the full opening of the East India trade and the final abrogation of the Company's trading rights the Home Charges had almost doubled in size and ultimately indicated the ominous tendency for increasing progression.[51] The process of drain though slow and invisible must have told on the stock and spirit of the rich.

Secondly, the advent of the Western joint-stock enterprise into the field of banking and finance and the unrestricted entry of Europeans under the Act of 1833 set up a formidable rival for the Indian banking community. The antiquated and less organised indigenous system failed in the competition with modern organised banking. Not that the Mahajans fell an easy prey. They sometimes resisted the joint-stock banking.[52]

Thirdly, the decay of indigenous crafts and industries formed both the cause and effect of the collapse of the native trading classes. Native industries fell before the onslaught of foreign machine-made commodities whose importation was expanded by the full opening of the Indo-British trade. It thus undermined one principal field of investment for native bankers. On the other hand the Shroffs and Mahajans kicked out from their eminence by modern joint-stock enterprise grew more shy and less adventurous in the field of industrial finance. They commenced investing in safer lines of government stocks and foreign companies' shares. Under such conditions big industrial ventures became impossible.

Then again except in Western India land had become a principal field of investment in the meanwhile. Erstwhile

[51] Banerjea : *Indian Finance*, pp. 328 ff. and Shah : *Sixty years*, pp. 28-9.

[52] E.g the opposition of the Rampur bankers when the Rohilkhand Bank was established in 1862. Cooke, p. 378.

merchants and traders were growing into landlords. This will be fully discussed in the next chapter.

It will also be shown why the talented youths of eminent mercantile families migrated into the public services. The grand-nephew of the last Jagat Sett rose to the highest rung of the uncovenanted ladder[53] and the grandson of Dwarkanath Tagore turned out to be the first Indian member of the Covenanted Civil Service.[54]

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[53] Raja Siva Prasad of Benares. Ghose II, pp. 457-9.

[54] Satyendranath Tagore.

CHAPTER III

THE NATIVE BOURGEOISIE : DREAMS OF ITS INFANCY.

When in the middle of the eighteenth century the East India Company was settling down as a political power a new class of rich people had come into eminence in Indian society. They did not count amongst them the grandees of the ramshackle Moghul Empire or the revenue-officials of the Subahdars. These were the Setts, the Shroffs or the Chetties whose operations extended all over India and about whom notice has been taken in the last chapter. By the time of the Charter Act of 1833 these Barings and Rothschilds had lost their eminence in the political field as in the commercial field and the more obstinate of their race were surviving as village money-lenders. On the other hand we find the public life one hundred years ago dominated by the aristocracy of landed interests. The progressive elements in the landholding commuuity along with the intellectuals of the day formed the basic stage in the evolution of the Indian bourgeoisie.[1] This revolution was the result of the policy of the East India Company. Otherwise the aristocracy of traders of mid-eighteenth century would have developed into a full-fledged bourgeoisie by the mid-nineteenth century.

Eighteenth Century Trades Capitalism. The trading classes of the mid-eighteenth century were a pre-eminently non-feudal community. They were not sprung from the landed capital, nor did they invest in land. The Jagat Setts had no landed-estates,[2] the Arjunji Nathjis would not invest in land-

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[1] Roy : *India in Transition*, pp. 21 ff.

[2] Ghose : *Indian Chiefs etc*, II, p. 347

grants from the Company[3] and a class of the Chetties would prefer to be petty-traders than land-holders.[4] The cause of this aversion to land lay in the fact that the national economy provided far better fields of investment than land. There was a widespread and highly developed textile-industry whose variegated products sold in the markets of Europe even. Besides, there flourished a large number of industrial arts.[5] Though these arts were in the handicraft stage the huge volume of output turned out and profitably marketed every year meant an advance from agrarian economy. A large portion of the population was occupied in industry and there was no pressure or premium on land or agriculture. The trade in these crafts brought in its train a well-developed trading community. The Mahajans, the Shroffs or the Chetties were the traders who financed and fostered these arts and crafts. With huge capital, we should say trades-capital, in their hands this aristocracy ultimately established control over the manufacturing classes all over the country by means of their *kuthis* spreading from Murshidabad to Surat and from Multan to Madura. Such industrial and trading activities led to the growth of towns, and when Clive entered Murshidabad he found it superior to London. So the stage was set for Industrial Revolution. The two essentials for this were security of life and property and importation of modern machinery. Pax Britannica surely guaranteed greater security than the hereditary governors of the Moghul Empire or the Bhaus of Hindu Padshahi. It was the instinct of self-preservation which pushed the Jagat Setts or the Nathjis into the protection of

[3] Douglas: *Bombay*, I, pp. 471-72. Such land-grants were turned into religious endowments.

[4] Sarada Raju: *Economic Conditions*, p. 187.

[5] For a recent account of these arts and crafts see Radhakamal Mukerjee's article in *Journal of the U.P. Historical Society*, 1943.

the foreign Company. But the second requisite of Industrial Revolution was not to be had from the Company-Raj they had helped to establish. By means of heavy customs duties the exportation of machinery from the United Kingdom was prohibited. Far from leading the native trading community to its natural goal of modern industrialism the Company robbed it of its means of livelihood. The decline of the national handicrafts rendered the traders as much occupationless as the artisans. Thus the sole field of investment for trades-capital was removed. On the otherhand a bait in the direction of land was held out by the revenue-policy inaugurated by the Company.

Rise of Landlord Community. When the mantle of Dewany fell on the shoulders of the E.I. Coy it entered into its occupation of revenue collection by allying with the Zemindars and the revenue-farmers. These latter suddenly rose to eminence in public life and within fifteen years made themselves notorious by their excessive greed and petty tyrannies. The native chronicler Ghulam Hussein Khan writing in 1780 ascribed the decline in the prosperity of Bengal, which had set in with the advent of the Company, to "the overgrowing power of the Zemindars and in their being trusted too much."[6] In pre-British days the Zemindars were "deemed a race incorrigible" while the Britishers took them to be or wanted them to be like "the landed Noblemen of England."[7] The Company however continued its process of endowing the

[6] SEIR, III, p. 204. He assigns altogether 12 causes.

[7] As a contemporary criticism of the policy the entire denunciation of Ghulam Hussein Khan deserves perusal. "It is deemed an undeniable truth amongst the men of sense of this land, and it was a standing rule amongst the princes of these kingdoms that no trust is to be reposed in the words of a Zemindar, not even in his most solemn promises and treaties, as they are, to a man, a refractory, short-sighted, faithless set of

Zemindars with 'gold and glory.' Sometimes favourites would be converted into influential Zemindars, and traders would be rewarded with landgrants. While the Jagat Setts were rapidly advancing to their decline an ordinary silk-merchant of the

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people, that mind nothing but present interest, and require always a strict hand. Our Government took care, therefore, that they should not get an opportunity of resisting or disobeying, and likewise that they should not acquire the means of resistance and obstinacy, as they are evil-doers by profession, and at all times disposed to injury, and to distress the people of God ; ever ready to infest the highways, to plunder and kill the travellers and the unwary ; ever ready to torment the subjects, and even the Nobles, to destroy the country, to ruin the revenue, and to distress and injure Government. All these are the accustomed performances of that malevolent race ; and it was to keep them in awe, and occasionally to administer correction to them, that so many illustrious Fodjdars were stationed with such a number of officers and dependants. No trust was reposed in their words nor in their actions ; for their character was throughly understood. They were looked upon to be an incorrigible race Now, in contradiction to ancient maxims, and to rules of old standing, and in contradiction to the most approved opinions, held equally by eminent merchants, as well as by knowing princes, the English rulers have thought proper to compare the Zemindars of this country to the Zemindars and land-holders of their own ; men whose posses-ions amount to no more than a few thousand yards of ground, or at most to an estate of two or three cosses in circuit, and who being all men of education and honor, pass their lives in enjoying their estates and beautiful seats, and in keeping open tables. It is to such men that the English Government has ventured to compare the Zemindars of Hindostan, and by comparison, to repute them men of honor and sentiment, worthy of being held in esteem and consideration, and deserving to be entrusted with full powers over their Zemindaries or estates and yet it is these very men of honour and sentiments that ruin the whole country, torment the men of distinction settled of old in their lands, and are waiting only that time and opportunity may put it in their power by some extra-ordinary event, at once to display the standard of rebellion and dispute, and to raise commotions of consequence. They live quietly now, and astonished at the heavy blows they have felt from

same locality was endowed with large landed estates.[8] Warren Hastings, the author of this feat, made such rewards an instrument of state-policy. He made his Munshi a big Zemindar, the only Zemindar in the city of Calcutta.[9] A banker of Benares, Kashmiri Mall, was rewarded with jaghirs for aid, financial and otherwise, during the Chait Singh episode.[10] Lord Cornwallis by his grand reforms of 1793 completed the process of setting up a class of vested interests whose very existence would depend on the longevity of the Company-Raj. The analogy of the landed peers of the United Kingdom played so much upon the leaders of society that from the beginning of the nineteenth century acquisition of *touzi*, big or small, has been the ambition of every well-to-do family in the Permanent Settlement districts. Even now "throughout every grade of the Bengali community there is an irrepressible desire to gain social prestige by the acquisition of land."[11] So here was a bait which would divert the native traders and merchants into a different alley, leaving a vacuum for British mercantile enterprise. With the decline in the handicrafts and the growth of pressure on land, landlordism with money lending in rural areas afforded a profitable calling to all grades

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the head of the English, as well as overawed by the superiority acquired everywhere by that nation, they wink at the state of things, and meanwhile, sure of the interest they have obtained they silently pillage and oppress mankind ; whilst the English rulers at the same time seem not to believe their conspiracies, and their malevolence and oppressions, or to have within their breasts some scheme, which to us, ignorant men, is yet a profound secret."

SEIR, III, pp. 204 5

[8] Kanta Babu the founder of the Cossimbazar estate was an ordinary silk-merchant. See *Murshidabad District. Gaz.*, p. 192.

[9] Maharaja Nabakissen, the founder of the Sobhabazar estate,

[10] I.R.D. : Rev. Cons. Nov. 1830, Nos 33-5.

[11] Radhakamal Mukerjee : *Land Problems of India* (Cal. 1933), p. 110

of people with ready money.[12] Thus a formidable rival to British capitalism was removed. In the thirties and forties of the 19th century landholding became such a lucrative and honourable profession in the imagination of the natives that organisations were started to guard the class interests.[13]

Craze for entry into the public services. At about the same time we find a large number of educated youngmen mostly coming of landholder families entering the service of the East India Company. This craze had also its roots in the reforms of Cornwallis. Cornwallis by his policy of exclusion of the natives from all high ranks wanted to divert all talent and enterprise into land. In its effect the ban turned to be an eternal wound which could be healed only by throwing open the gates of higher employment. With the opening of English Schools in the thirties and forties this craze became stronger and more natural in view of the education imparted in these schools. We shall discuss the place of these schools in Indo-British economy in some detail later on. Now it will be quite adequate for our purpose here if we say that the removal of the ban on race or religion for entry into any of the Company's services as provided by the Charter Act of 1833 (Clause 87) further secured the loyalty of the infant bourgeoisie. Lord

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[12] In Western India, shroffs grow into traders and traders grow into industrialists to-day. In Bengal investment in land has its charms, even to-day. The Rays of Bhagyakul, the richest family in Bengal, started in the 19th century as Mahajans. In the twenties and thirties of this century they did a rich trade in inland shipping. But they have all along fought shy of industrial investment. On the otherhand they are now purchasing the estates of old Zemindar families like the Mookerjees of Uttarpara.

[13] The Zemindary Association (or the Land-holders' society) was founded in 1837. The Bengal British India Society was formed in 1843. In 1851 the two organisations were merged into the British Indian Association.

William Bentinck had started recruiting native Deputy Collectors even before the Charter Act had come into operation.[14] Lord Auckland's administration saw the first instance of a native holding charge of a District. The incumbent was Ramaprasad Ray, son of Raja Ram Mohun.[15] Dwarkanath Tagore demanded the creation of native Deputy Magistrates.[16] The cadre was instituted in 1843.[17] Lord Hardinge inaugurated a system of competitive tests which added further jest to the quest for service.[18] Why the Company was steadily changing its policy and throwing higher appointments to the natives will be discussed later on.

In fairness to the intelligentsia of one hundred years ago we have to point out that due to decline in commerce and industry the most paying of the honourable means of livelihood were closed, and only employment under the state provided careers for talents. When a spirited youth like Rasik Krishna Mallik, whose denunciation of the Charter Act has been noticed in the first chapter, accepted the post of a Deputy Collector it was surely for service in the better sense. It was not for pelf only that brilliant youths chose to be clerks under explorers like George Everest or Alexander Burnes. It was the spirit of Ullyses which took Radhanath Sikdar to the snows of the Himalayas or Mohanlal to the deserts of Central Asia. But in British India the ablest of the natives could not dream to attain the heights of Chandu Lal or Salar Jang. Ramaprasad

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[14] Regulation IX of 1833.

[15] Toynbee : A *Sketch of the Administration of the Hooghly District, 1795-1845* (Cal. 1888) p. 66.

[16] Mitra : *Memoir of Dwarkanath Tagore* (Cal 1870), pp 64-66.

[17] Act XV of 1843.

[18] Reference may be made to author's article, "The First Public Service Examinations, 1845-52" in the *Proceedings of the Indian History Congress, Third Session.* (Calcutta, 1940)

Ray or Syed Ahmad Khan were rotting in the uncovenanted ranks while men in no way superior in intellect or efficiency were prime ministers in the Indian States. Hence the demand and quest for higher appointments formed a sort of political agitation for a people under foreign subjection. As Raja Rammohun wrote in 1831 "men of aspiring character, and members of such ancient families as are very much reduced by the present system, consider it derogatory to accept of the trifling public situations, which natives are allowed to hold under the British Government and are decidedly disaffected to it."[19]

Ideology of the Infant Bourgeoisie. So India of a century ago presents us with an aristocracy which drew its vitality from land, which spoke the language of Bentham and Burke and which was out to capture the top-posts in the bureaucracy. It was the same community which produced the first native captain of industry, Dwarkanath Tagore. The activities of Dwarkanath and his associates form a landmark in the economic and social history of India. Their story speaks as much of the break with the past as it explains the stunted growth of the Indian bourgeoisie.

The break with the social structure of the past is indicated by their zealous support to the Company-Raj for the suppression of infanticide and *suttee* and for the patronage of Western education. The total effect of all these meant death for the caste-system or at least the economy it stood for. Triumph of Western education would doom the intellectual eminence of the Brahmins (as also of the Maulavis) along with the obscurantism and superstitions of the past. The suppression of female infanticide and *suttee* raised in its train the question of position of women and of hypergamy.

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[19] *English Works of Raja,* p. 300.

The Tagores of Calcutta, the family leading in intellect, wealth and charity, were not the best of Brahmins. Rasik Krishna Mallik was a Tili, a caste which could never attain any social distinction or intellectual eminence in medieval society. Raja Krishnath Ray (great-grandson of Kanta Babu) the first native to conjure up the vision of a university on Western lines in India sprang from the same caste.[20] The great patron of Sanskrit learning Kaliprasanna Singha was a Kayastha notorious for his anti-Brahmanical jokes. The greatest enemy of Brahmanical superiorty was produced in the person of a high-class Brahmin, Dakshinaranjan Mukherjee whose life and preachings were all in violent opposition to the caste rules. These are only a few names to show the outlook of the new aristocracy ; we leave aside the 'renegades' like Krishnomohan Banerjea or Lal Behari De. It is indeed difficult for us to-day to make a proper assessment of the daring of these men. It may be a pity but not inexplicable that inspite of such progressive elements no real and lasting progress in economic life of the people could be attained. Some explanation is provided by the economic theories and political convictions of Raja Rammohun Ray, the intellectual who cast his shadow across the nineteenth century, and those of Dwarkanath Tagore.[21]

[20] Raja Krishnath, noted for his chiselled English manners, had provided in his will for a University for which he made a bequest of his entire estate. He died of his own hand in 1844. The will was pronounced to be invalid on ground of insanity which ended in suicide. *Moore's Indian Appeals*, Vol. IX (Advocate General of Bengal vs Rani Swarnamoyee).

[21] B.B. Majumdar brought out in 1934 a painstaking study of the political theories of the leaders of 19th century Bengal, *History of Political Thought from Rammohun to Dayananda.* As a compilation it remains a monumental work. As a review it is disappointing.

Raja Rammohun's Convictions. Considerations of space do not permit a detailed notice of Rammohun's utterances and writings on diverse issues. We have to select only a few of his statements to form a correct estimate of those of his convinctions which have bearing on our study. Son of the manager of the biggest zemindar (Burdwan Raj) Rammohun was by environment and tradition deeply attached to the Permanent Settlement. He had himself by his own efforts built up extensive landed estates. As an employee in the Company's collectorate at Rangpur he surely observed the helplessness of the *ryots* under the permanent Settlement, and later on he expressed his fears and pleaded for regulations to protect the *ryots* from oppressions of the *zamindars*.[22] But his class instict was stronger than his intellect. He was too deeply wedded to Permananent Settlement and its guardian, the East India Company. We quote his exact words. "Since the establishment of the permanent settlement in the lower provinces of the Bengal Presidency, the landholders (whose rents have been secured by it) are wellknown to have been firmly attached to the existing government. This cannot be said of the same class in the ceded and conquered provinces, whose estates have not been secured by a similar arrangement; and it is not the case with regard to the people of a large proportion of the Madras Presidency, where no similar attachment can be reasonably expected Hence we may be justified in inferring that if the benefits of a permanent settlement were also extended to the cultivators, the farmers and labourers in every part of the country, both in the upper and lower Provinces (who form the largest portion of the population of India) would be equally attached to government

[22] *English Works*, pp. 278-9 and 290.

and ready to rise in defence of it."[23] His sketch of the different classes of people under Company's government, their fears and aspirations, pays perusal. "The peasantry and villagers in the interior are quite ignorant of, and indifferent about either the former or present government, and attribute the protection they may enjoy or oppression they may suffer to the conduct of the public officers immediately presiding over them. But men of aspiring character and members of such ancient families as are very much reduced by the present system, consider it derogatory to accept of the trifling public situations which natives are allowed to hold under the British Government, and are decidedly dissaffected to it. Many of those, however, who engage prosperously in commerce, and of those who are secured in the peaceful possession of their estates by the permanent settlement, and such as have sufficient intelligence to foresee the probability of future improvement which presents itself under the British rulers, are not only reconciled to it, but really view it as a blessing to the country.

"But I have no hesitation in stating, with reference to the general feeling of the more intelligent part of the Native community, that the only course of policy which can ensure their attachment to any form of Government, would be that of making them eligible to gradual promotion, according to their respective abilities and merits, to situations of trust and respectability in the state."[24] The picture presented here is as true as it was symbolic of the rise of a new aristocracy tied to the land but looking for eminence in the public services. It is indeed impossible for such a community to make an all out effort for industrialisation. Rammohun believed that Indians were capable of any improvement which

[23] *Ibid*, p. 305.

[24] *Ibid*, p. 300.

any other civilised nation on earth was capable of.[25] Though deeply attached to the Company-Raj he sternly opposed the trading privileges of the East India Company and demanded free entry of Europeans into India. He was indeed voicing the feelings of the new aristocracy. It was fondly expected that larger settlement of Europeans would lead to improvements in commerce and industry, culture and learning. In a lengthy statement submitted to the British people on the eve of the renewal of the Charter in 1833 Rammohun discussed the pros and cons of the proposal and concluded thus. "On mature consideration, therefore, I think I may safely recommend that educated persons of character and capital should now be permitted and encouraged to settle in India, without any restriction of locality or any liability to banishment at the discretion of the government."[26]

Dwarkanath Tagore.[27] The same convictions were held by Dwarkanath Tagore (1794-1846), some notices of whose banking and industrial career have been already made.[28] Educated at the hands of the best English and Persian teachers of the day he had very early joined the management of ancestral landed estates. About his thirtieth year he accepted employment in the Salt Department of the Company. His subsequent career may be best sketched in the language of the

[25] *Ibid*, p. 299

[26] Vide Appendix to PP 734 of 1831-32.

[27] Details of his life may be gathered from Kisory Chand Mitra's *Memoir of Dwarkanath Tagore* (Cal. 1870). An appreciative sketch appeared in *Fisher's Colonial Magazine* 1842, on the occasion of his first visit to Europe. References to Dwarkanath's social virtues are found in contemporary travel-iouanals like those of Miss Eden.

[28] *Supra* pp. 25-28. Dwarkanath's evidence before the Calcutta Emigration Committee has been reproduced below in Part II, Ch. III.

journal of British Colonial merchants.[29]

"In a short time, so high was the estimate formed of his character and talents for businesss by the Government, that he was appointed to the situation of Dewan, or head, of the salt and opium departments; the highest appointment which a native at that time could hold under the British rule. His able and assiduous discharge of the duties of his high and responsible trust, obtained for him the entire confidence and approbation of the Government; and when, in 1834, he voluntarily resigned it, in consequence of the interest and extent of his private business, he received the highest testimonials from the Governor-General.

"Ever anxious to set before his countrymen an example of enterprise and improvement, Dwarkanauth established indigo-factories on all his estates, and subsequently introduced the system of sugar-cultivation practised at Mauritius. In the joint capacity of hereditary Zemindar, landed proprietor, and planter, his varied occupations brought him into constant intercourse with the revenue department of the Government, and with almost every mercantile firm in Calcutta. His wealth and extensive credit enabled him to take a leading part in the origination and management of the Union Bank, of which he became afterwards the sole proprietor.

"In the midst of these multiplied claims upon his time and attention, Dwarkanauth was nevertheless ardently devoted to the cause of the intellectual and moral elevation of his countrymen, and was a liberal supporter, with the other members of his family, of the Hindoo College, an institution founded and carried on for some time in opposition to the views and measures of the Government, the obvious benefits of which at length secured for it the highest patronage.

[29] *Fisher's Colonial Magazine 1842*, pp. 394-5.

"In the year 1834, after the failure of all the large houses in Calcutta, an event which frustrated the commercial credit of the city, and plunged great numbers both in this country and in India into ruin Dwarkanauth Tagore, encouraged by the counsel of his steady friend, the late Lord William Bentick, established a house of business, with extensive connections in Europe and other parts of the world.

"There is, perhaps, no circumstance in the history of Dwarkanauth Tagore, which exhibits in a stronger light either the boldness, the sagacity, the talents, or the independence of this extraordinary man. Until Dwarkanauth took this step, no Hindoo had ever been known to be engaged in commerce by way of the sea with foreign countries ; and should our hope be realised, to see the Hindoo nation enjoying to a just extent the benefits flowing from commercial enterprise, it is to Dwarkanauth Tagore, and the wisdom which he has shown in carrying out his enlightened plans, that we shall have to trace the commencement of a new era in the affairs of India."

Here was indeed an extraordinary man, who could come out of the groove of service and who could decline the title of "Raja" from the Governor-General and the Knighthood from the Queen, who could purchase at auction the colliery of a British firm [30] and who fifteen years before the Crimean War, which stopped the supply of Russian flax to Britain, could dream of extensive and improved cultivation of flax for British market. [31] With boldness unique among the Zemindars he characterised the British as having "taken all which the natives possessed ; their lives, liberty and property, and all were held at the mercy of Government," and demanded representation of each Presidency in the Parliament [32]. At

[30] B.N.B. III, p. 296 ; *Burdwan Dist. Gaz.* p. 13J.

[31] I. R. D. : Rev. Cons, 22 Nov. 1841, Nos. 14-17.

[32] PP (Lords) 162 of 1852-3, p. 9

the same time he had 'firm conviction that the happiness of India' was best secured 'by her connection with the great and glorious country of the British'. With a view that closer contact with British people would increase the intellectual political and material progress of the natives he supported the unrestricted entry of Europeans in India. The quest for closer contact was a passion with him and during his first visit to England he selected an anti-slavery agitator to educate the Bengali youths in political agitation.

George Thompson[33]. This teacher for the infant bourgeoisie was George Thompson noted alike for his eloquence on public platform and brilliance in conversation. So the generation which had mastered the shibboleths of Bentham and the frothy sentences of Burke commenced a sort of extra-mural lessons in politics. The natives who hang round Thompson in Calcutta undoubtedly learnt much in parliamentary eloquence and constitutional agitation. But they did not or could not learn much about economic regeneration. Thompson was an ardent advocate of industrial revolution and devoted one of his speeches at Calcutta to mechanical inventions.[34] Unfortunately he was an unconscious agent of Manchester and the Manchester School. Like that of many other British humanitarians of the day his advocacy of abolition of Negro Slavery in America was combined with a

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[33] Best short sketch of his career is that of Buckland : *Dictionary of Indian Biography.*

[34] One of his classic passages related to electricity. "The modern Prometheus, who brought fire from the clouds, and taught the winged lightning to descend at his bidding from heaven to earth, was a journeyman printer, flying an electric kite. That man was Benjamin Franklin : a Patriot, a Statesman, a Philosopher, a Sage and a Mechanic." *Addresses at Calcutta*, p. 170.

demand for more extensive cultivation of cotton in India.[35] For him India was essentially a land of raw materials as will be evident from the following cullings :

"Whenever, Sir, this country is able to meet, to any considerable extent, the demand of Great Britain for those articles for which we now depend almost entirely upon America, the time will have come when, without protests or protocols, the system of compulsory labour will be brought to an end, and those who have enforced it, be obliged to resort to the only righteous method of procuring the services of their fellow-creatures. I return then to India, and I say,—when I look over the face of this country, I am brought to the conclusion that the nature of the soil and habits of the people alike point it out as peculiarly fitted to remain, what it has hitherto been, an Agricultural country ; and consequently, those who are engaged in the work of introducing improved means of cultivating the articles with which the natives are familiar, and of introducing others, adapted to the soil and climate, are likely to prove among the best benefactors of this country.

"But again, my thoughts travel home ward, and dwell upon the condition of the people of England. I ask myself, how that condition is to be improved ? How employment is to be found for multitudes of starving operatives ? How our manufactures (now in process of exclusion from continental

[35] Towards the end of 1839 he had delivered a series of lectures in Manchester re: India. Cotton formed the main theme of this series and in 1842 the lectures were published with a supplementary article on cotton by Briggs, *Six Lectures on Condition, Prospects and Resources of British India.* As illustrative of the interest in cotton of the humanitarians may be mentioned West : *Emigration to British India* (Lond. 1857) ; and Hyslop Bell : *British Folks and British India* (London 1892). One is naturally reminded of Marx's brutal remark about Burke, "sycophant in the pay of English oligarchy" meaning Whig oligarchy.

markets) are to be revived, and to find a profitable outlet? The answer to these questions is—let England remember that she sways a sceptre over a hundred millions of human beings on these shores, and has free access to as many more in other regions of Asia—that from the soil on which these millions live, she may procure the great staple of her manufactures, and almost every article of tropical produce, which the necessities, or the luxury of her people demand;—and that, in proportion as the industry of the people of this country is stimulated, their wealth increased, and their wants multiplied, England will find an ever-increasing field for the disposal of those articles which are produced by the skill of her artisans, and exported through the enterprise of her merchants. Let us imagine for a moment, that England took from this great dependency, I will not say all, but a fair share of its produce. Imagine, too, that with the efforts necessary to supply such a demand, and the wealth created by the payment consequent upon it, a desire were to spring up (as it naturally would) in the minds of the people of Hindustan, to possess themselves of articles of British manufacture, how large would then be the value of the traffic between the two countries, and how insignificant would then appear the present amount of the exchanges between a country like Great Britain, and a country like this. Let me ask, if there is any natural obstacle to the supplying of Great Britain with the rice, the Cotton, the tobacco, and the sugar, which are now obtained from other nations, most of them altogether foreign, and some of them our eager and impatient competitors in the race of manufacturing industry. I feel confident, that the answer from every gentleman present would be, "there is none." Indeed, Sir, your own publications answer for you. Why then is not this honourable, humane, and patriotic commerce established? a commerce embracing the dearest interests of

of our native land, the social elevation of millions here, and the personal freedom of millions elsewhere ? If I am reminded of the prejudices of the people of India, I answer, I have had abundant evidence presented to me during my short sojourn in this city, of the possibility of overcoming prejudices the most ancient and the most inveterate."[36]

"Would the American slave-holder command the cotton market of Liverpool ? Would the Mauritius excel you in sugar, the Russians in hemp, the Virginians in Tobacco, or the Carolinians in rice ?" [37]

So the rising generation stuck with greater ardour to land and the cultivation of crops necessary to feed the workshops of Britain. They learned a new lesson when towards the end of their lifetime, they found British capitalists themselves raising industrial concerns in India.

Conditions in Western India. Conditions in Western India though widely different were not much better for industrialisation.

The Parsis with a long tradition of overseas trade were undoubtedly the wealthiest people in India by mid-nineteenth century.[38] From the time of Bishop Heber they never counted beggars in their ranks. In their zeal for Western education the Parsis were second to no other people in India, and the growth in the number of English schools in Bombay owed not a little to the munificence of merchants like Jamshetjee Jeejeebhai. Free from all superstitions which might militate

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[36] *Calcutta Addresses*, pp. 148-50.

[37] *Ibid*, p. 167

[38] I have not been able to make a detailed study of the Parsi mercantile enterprise. My impressions are based on the following works among others. Douglas: *Bombay ; Bombay Presidency Gaz*, Vol. IX ; *Gaz. of Bom. City ;* Karaka : *The Parsis* (Lond. 1858) ; Natesan (ed): *Famous Parsis* (Madras 1930) ; and Ghose: *Indian Chiefs etc.* II.

against mechanical inventions and having no attraction for landed estates the Parsis were the most fitted for launching India on an industrial career one hundred years ago. The leading Parsi merchants like the Jamshetjees or the Rustomjees had their trading activities spread from Canton to London and must have noticed the differences between an industrial country like Britain and an agricultural country like China. Unfortunately the Parsis were too much in India and not of India. They were communal in the modern Anglo-Indian sense of the term. They were more concerned about their own race than about the country of their domicile. In their eagerness to be socially equal with the ruling race the Parsis allowed themselves to be made junior partners in the scheme of exploitation of India's natural resources. They preferred to take a leading share in the shipping and marketing of India's raw materials and Britain's machine-made goods. The happy change in their attitude came only towards the end of the century, under the leadership of men like Dadabhai Naoroji and Jamshedji Tata.

Towards the end of the century the Parsis and the Gujaratis set up modern industrial plants. The Gujaratis were just coming into eminence in the eighteen-forties. They were also taking a leading part in the marketing of cotton. Cotton had suddenly become an international issue due to the zeal of slavery abolitionists and Manchester's quest for cotton within the Empire. A number of Gujarati merchants started speculation in cotton crops[39] and amassed huge fortunes. Among them was Roychand Deepchand, whose son's name is associated with the first and the most

[39] I am told by a friend from Bombay that the first cotton *Phatka* took place about 1846. His authority is an out of print Gujarati book available in Bombay stock-exchange library.

prized research endowment of the Calcutta University. Premchand was a boy when Indian cotton first attained international eminence, but he must have caught the infection of speculation then. He took a leading part in the speculations during the American Civil War and led himself to ruin.[40] The immediate effect was a searching of hearts, and ultimately some diversion from commerce and trade to industry.

So in the forties and fifties of the nineteenth century British capitalist enterprise, which took the form of capitalistic agriculture, could proceed to work out its destiny with the co-operation of infant native bourgeoisie.[41]

[40] Premchand entered business at the age of 19 in 1850. *Bom. City Gaz.*, I. p. 458 For the wild speculations of the sixties in Bombay see Wacha: *A Financial Chapter in the History of Bombay City* (Bom. 1910).

[41] For details see Buchanan: *Capitalist Enterprise;* and Choudhuri: *Evolution of Indian Industries.* (Cal. 1939) Ch. II.

CHAPTER IV

THE RISE OF WAGE-EARNERS.

The situation one hundred years ago was highly favourable for foreign capitalistic agriculture because of the rise of floating masses of labourers. This floating population consisted of artisans as well as peasants, plain dwellers as well as 'hillcoolies.'

Industrial Degeneration. We have discussed in the preceding chapters the question of steady industrial degeneration, with particular reference to the momentum it received from the opening of India trade in 1833.[1] The rapid decline and disappearance of the native crafts in the eighteen-thirties did not fail to attract the notice of even non-commercial sojourners from Britain.[2] The first and foremost victim of foreign competition was the textile industry[3] which afforded employment to the largest number of working class population. The disappearance of Indian ship-building industry and the decline of boat-making caused by the ban on Indian shipping in Indo-British trade in 1814[4] and the introduction of steam-vessels in

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[1] There is a good liter.ture on the native industries and crafts. Only a few works can be mentioned here. Birdwood : *Industrial Arts of India* (Lond. 1880) ; Hoye : *A Monograph on Trade and Manufactures in Northern India* (Lucknow, 1880) ; Mukherjee : *Art Manufactures of India* (Cal. 1888) ; Royle : *Arts and Manufactures of India* (Lond. 1852) and *Report of the Indian Industrial Commission, 1919*.

[2] E. g. Roberts (Emma) : *Hindusthan, Sketches of Anglo-Indian Society* (Lond 1835), I, pages 242-4 and III, pages 23ff.

[3] Birdwood, II, pages 249 and 252.

[4] Ban on importation of articles from the East in vessels manned by Indian sailors, lascars etc. (54 George III c. 134). This led to the stoppage of ship-building for mercantile purpose. Building of war vessels continued till the middle of the century and Parsi ship-builders

the thirties, took the second heavy toll on the volume of employment. The village smithy and leather works had also to succumb.

Since no attempt was made to substitute modern industries these masses of unemployed workers fell on land. For land was offering newer avenues of employment on account of European Plantations. European entrepreneurs on Indian soil took up in succession Silk, Indigo, Tea, Cotton, Coffee and Rubber.[5] The steady supply of the raw product was secured originally by engagement of peasants as independent contractors and later on by their employment as salaried cultivators. But much malpractice characterised this trade from the beginning. The East India Company itself was pioneer in forcing the peasants to cultivate cash crops like silk in lieu of food crops like rice.[6] The situation had not appreciably improved even towards the middle of nineteenth century, when a large number of private merchants had established a net-work of indigo plantations.

Introduction of steam merely served to collect the raw materials like silk and indigo, cotton and tea, but did not make for power-driven industrial plants. The old Indian economy in which the village and the town played complimentary roles was destroyed[7] while no modern economy was substituted.

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gained the testimony of admirals. See in this connection Low: *History of the Indian Navy* (Lond. 1877) II, page 4 and Mookerjee (R Kumud): *Indian Shipping* (Lond. 1912), last chapter.

5 Buchanan : *Capitalist Enterprise*, Chapters III & IV.

// 6 Hunter : *Annals of Rural Bengal* (Lond. 1868), Chapter VI entitled 'The Company as a Rural Manufacturer'.

7 "British Steam and Science uprooted, over the whole surface of Hindustan, the union between agricultural and manufacturing industry". Marx in *New York Tribune* of June 25, 1853.

The normal and orthodox occupations of the people in both rural and urban areas were broken up and the age of hired labour was ushered in.

Rural Pauperisation. In the meantime the process of rural pauperisation had set in, thanks to the land revenue policy of the East India Company. In the Permanent Settlement areas the tillers of the soil were ground down by the Zemindars and/or their officers. The introduction of Ryotwari system in Madras (1820-27) and Agra Provinces (1833-40) did not make matters easier for the ryots of those districts. Assessment was made in terms of money and the option of payment in kind was denied. This drove the peasants into the clutches of money lenders. These money lenders were the survivors of the old trading classes whose "occupation was gone" in the wider field due to the decline of national industries.[8] Aided by the new laws of registration and conveyance the money lenders could easily dispossess the tillers of their lands. Transfer of large masses of workers from industry to agriculture merely accelerated this rural pauperisation. So the situation was already ripe for capitalist quest for free labour when the humanitarianism of British Parliament authorised the Indian Government to take steps for 'the mitigation of slavery'.[9] The immediate effect must have been a tremendous increase in the volume of unemployment and a more advantageous position for capitalist enterprise, native or foreign, industrial or agricultural. As things happened it was the foreign agricultural enterprise which exploited this population suffering from "involuntary unem-

[8] Discussed in Chapter III.

[9] Clause 88 of the Charter Act (1833). The abolition was effected in 1843.

ployment". Hungry masses were moving in search of living wages and yet failing to get it for the mere asking. The situation was surely more hopeless than Keynes' 'involuntary unemployment'.[10]

No wonder the hungry masses were pushed to the plantations : Indian or Colonial.[11] Whether they were pulled is a different question.

Native labour in British Esteem. The potentialities of mobility of this floating population were early realized by the British Capitalists who were convinced of the worth of native workers. In a written evidence before the Parliamentary Committee of 1831-32 the following testimony was included. "The natives in general bear an advantageous comparison with those of any country in the world......The inhabitants of Bombay are quite equal, if not superior, to those of towns in England. They are an uncommonly sharp and intelligent people....The wages of a Hindoo carpenter would be 6d a day, of a Chinese 2s, and of an European, the lowest Superintendent of Carpenters, 6s....The average rate of wages in Burdwan is from 5s to 8s a month. In Calcutta, five or six Coolies may be hired for the day for a rupee ; at Ramnad, three men or five women, will cost from sunrise to sunset not quite 4d. Their labour is equal to that of Europeans. They are poorly fed and thinly clad. The rate

[10] Classical economists considered employment from the point of view of individual's bargaining capacity and could not take stock of social forces or changes affecting hundreds of individuals. cf. Keynes: *General Theory*, pages 15 ff.

[11] cf. "Few industrial workers would remain in industry if they could secure sufficient food and clothing in the village, they are pushed, not pulled to the city". *Report of the Labour Commission*. page 16.

of agricultural wages is certainly under 3s a month".[12] A more permanent testimony to the worth of Indian labourers was afforded by the quest of Colonial merchants for workers from India. That interesting quest is narrated in the Second Part of this thesis.

Here was a typical floating population which could form "the light infantry of capital" to be 'thrown by it according to its needs now to this point, now to that'.[13]

[12]. PP 735-1 of 1831-32, Appendix page 309.

[13]. Marx on "The nomad population of capitalist society". *Capital* (Ed. Untermann), pages 728-9.

PART II

CHAPTER I.

PROBLEMS OF COLONIAL LABOUR IN THE FIRST HALF OF NINETEENTH CENTURY.

The opening of the nineteenth century found Britain transformed into the workshop of the world and at the command of a huge tropical empire. But the worth of the West Indies islands, the Cape or Mauritius would be nil if industrialised Britain could not be assured of the steady supply of raw materials from these tropical reservoirs. This was dependent on adequate solution of the eternal problem of labour supply. The problem was undoubtedly made severer by the anti-slavery movement. The same problem runs through the pages of colonial history from the days of renascence gold-diggers to the age of 19th century planters. Slavery hallowed by the sanction of Aristotle and made inevitable by the inexorable necessities of an artificially propped up social organisation provided the solution of labour difficulty. The failure with the American Indians led to the importing of Negro slaves and abolition of Negro slavery three centuries later led to the importation of the Asiatic Indians. Hence the traffic in indentured labour or *coolie* should not be considered an isolated phenomenon but a natural process in the evolution of capitalism. "Slavery, the *Corvee*, 'indented' labour, transportation, assisted emigration, are from the economic standpoint one and all halting places along the same road, which leads to the equation of supply and demand in the market of labour."[1]

White versus Coloured Labour. It is striking but not inexplicable why through centuries colonial capitalism had

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[1] Egerton: *The Origin and Growth of English Colonies and of their System of Government* (Oxford, 1904) p. 141.

preferred Coloured to European workers and why emigration of European workers had generally been resisted by the colonial merchants. No doubt paupers, servants kidnapped in Europe and indented in America and the "redemptioners" or poor ignorant immigrants employed under long period contracts were always welcome but they were all virtually slaves.[2] The preference for Coloured labour was dictated not merely by considerations of cheapness and efficiency but also by purely political motive of not endangering colonial capitalsm by the ingress of skilled and ambitious free workers of Europe. Even when towards the middle of the 19th century, movement of free workers to distant lands like Australia could not be checked, Colonial Office by virtually stopping the sale of lands to the free workers sought to strengthen the hold of capitalist enterprise. Wakefield[3] was the prophet to whom colonial capitalism owed this remedy. To understand the background of Coolie traffic a short study of Wakefield's philosophy so far as it relates to labour problems may be considered relevant.

Wakefield's Theory of Labour. Wakefield gave a lucid though brutally frank exposition of his views on the scarcity of colonial labour in his *A View of the Art of Colonization.* In diagnosing the causes of the inefficiency and inadequacy of colonial labour Wakefield laid down that both combination and constancy of labour were indispensable conditions for industrial

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[2] Wakefield: *A View of the Art of Colonization* (Lond. 1849) p. 175

[3] Edward Gibbon Wakefield (1796-1862), a Benthamite Radical was sentenced to 3 years imprisonment for seducing an heiress. The door of publc life in Britain being thus closed he spent his years in gaol over colonial literature. On release he started a colonisation society and counted among his disciples Lord Durham and Lord John Russell He was often consulted by the Colonial Office and his theories influenced the land systems in South Australia and New Zealand.

development and that both were wanting in the colonies.[4] There were no organised working classes and there were no bands of workers trained in different trades. Hence Adam Smith's "division of labour" which according to Wakefield was really the result of combination of labour could not be resorted to in colonial industries. He also lamented the lack of constancy of labour. First, there was no steadiness in the supply of workers and hence no fluidity of labour to match the fluidity of capital. Secondly, the workers who were too individualistic, not being members of organised trades, might not stick to the same masters. Lastly, land being cheap and labour being scarce (as in Australia) ambitious and intelligent workers from the mother country were all small capitalists in the making and many worker families did actually become farmers during one generation. Hence long period processes could not be tried with such unsteady labour and hence Colonial industrial development was found to be stunted. Wakefield then proceeded to consider the various experiments made in the past to meet the problems of labour. He frankly admitted the utility of slavery in obviating the problem of scarcity as also in securing his essentials of combination and constancy of labour. Institutions analogous to slavery but not evidently equally reprehensible to "Caucasian Conscience"[5] were also appreciated by Wakefield. He bluntly confessed that Irish paupers, servants kidnapped in Europe and the "redemptioners" were all slaves in the hands of the "prideful domineering Anglo-Saxon race".[6] But to him slavery was a painful necessity and he set up sociological facts in its justification.[7] No wonder his solution for the crisis caused by the emancipation of the

[4] Pages 165-71.

[5] Huxley's *Essay on Emancipation: Black and White*.

[6] Page 175.

[7] Pages 322-30.

slaves and the movement of free workers from Britain would be wholly in the interests of colonial capitalism. He foresaw that the importation of free labourers would surely threaten the security and resources of the capitalists.[8] Hence he demanded that land should be sold at very high price so that free labourers could not easily acquire lands.[9] In fact 'once a wage earner always a wage-earner' was the corner-stone of Wakefield's economics known as "systematic colonization". Marx in his chapter on "Modern Theory of Colonisation" makes this cryptic comment: "Just as the system of protection in its early days tried to manufacture capitalists artificially in the mother country; so Wakefield's colonisation theory, which England attempted for a while to enforce by Act of Parliament, tried to manufacture wageworkers in the colonies".[10]

Though Wakfield's theory was mainly concerned with the vast expanses of Australia or Canada, it was equally illustrative of the attitude of the West Indies or Mauritius planters towards the free labourers from Europe. Hence the strange fact that the immense stream of European emigration did not find much outlet in the tropical colonies. The Nabobs[11]

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[8] Pages 326-28.

[9] Pages 331-44.

[10] Marx: *Capital* (ed. Eden & Cedar Paul) p. 849.

[11] The term originally applied to the wealthy merchants back from India came to be applied loosely to the West Indies Sugar merchants who had suddenly grown into eminence during the Napoleonic Wars. "Half the world might separate Bengal from Jamaica, but to the country gentleman it mattered not at all whether the purse-proud barbarian who would supplant him arrived from the East or from the West". Holtzman: *Nabobs in England* (New York, 1926) p. 16. "Mogul Pitt and Nabob Bute". *Walpole's Letters*. For various uses of the term Nabob see *Hobson-Jobson*, and Spear: *The Nabobs* (Oxford, 1932). In 1761, as Walpole wrote, "West Indians, conquerors, nabobs and victorious admirals attack every borough". See Namier: *Structure of Politics at the Accession of George III* (London, 1929) Vol. 1, p. 195.

who were themselves not sprung from ancient families and who considered it flattering to be the dummy peers of Younger Pitt[12] were naturally anxious to shut the doors of adventure to their own kinsmen from Britain.

Inefficiency of White labour. The plea of comparative inefficiency of White Labour in tropical climate was a consideration secondary to that explained above. The inefficiency of Indian labour (even in agricultural pursuits) has been harped upon so often by Western Economists as also in official reports that the claim of greater efficiency of Coolie labour may strike quite strange to many. Before taking up the merits of Coloured labour we should estimate the drawbacks of White labour which made its employment in tropical plantations an uneconomic proposition for colonial capitalism. There is first the difficulty of climate. Neither the physique nor the resourcefulness of the Whiteman has been cent per cent successful in fighting against the odds of tropical climate. The statistics of disease and mortality among Europeans throughout the tropical regions of Africa and Asia reveal a sad state of affairs. Yet these statistics do not and cannot take into consideration the innumerable cases of neurasthenic disorders of various degrees.[13] If the enervating influence of Indian climate, so often spoken of by the British writers of Indian history, be a fact it must tell most heavily on Whiteman's constitution. The Whiteman's high and complicated standard of living required to be made higher and more complicated in tropical regions. Far from being an asset this is a positive liability. As there should be a minimum standard for maintaining and developing the efficiency of labour so there must be a maximum

[12] Cf. Robertson: *England under Hanoverians* (London, 1928), pp. 352-54.

[13] Mukerjee (Radha Kamal): *Migrant Asia* (Rome, 1936) pp. 69-70.

beyond which will be a field of Diminishing Returns. Hence White labour is bound to be expensive and inefficient in occupations which expose it fully to the vagaries and cruelties of tropical climate. If this is true to-day this must have been truer a century ago when Whiteman's ingenuity in fighting against the odds of tropical climate was only in its embryonic stage.

Coloured labour : Negro and non-Negro. Negro slavery had for about three centuries provided a cheap and efficient labour force to colonial merchants. But difficulties arose when in 1807 the slave trade was stopped within British Empire, and since then the planters must have been casting longing looks over the vast reservoirs of man-power in Asia.[14] The Parliamentary Paper entitled *Supply of Labourers from the East* (No. 225 of 1810-11, House of Commons) must contain ample evidence to warrant this conjecture. (It is unfortunately not now available in India). On the abolition of slavery itself in 1833 the labour problem grew more acute and the plantation industry was on the verge of ruin. The emancipated Negroes would not oblige their quondam masters by consenting to work

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[14] Due to peculiar land-tenures and social institutions Malabar had already become a rich hinterland for such traffic. For Malabar slavery see Buchanan: *A Journey from Madras through Mysore, Canara and Malabar* (Lond. 1807) I p. 19, II pp. 370-1 and III pp. 35-6; Forbes: *Oriental Memoirs* (Lond. 1813) III, p. 170-71; and Logan: *Malabar* (Madras, 1887) I pp. 146-51. The Malabar Commission in 1792-3 came across a long established traffic of exporting poor and ignorant natives of the coast. Vide paras 188 and 423 of the Report, (I. R. D.: For. Misc. Records, Volume 55). Indian coolies went to Negrais (Bassein) as early as 1755, and in 1757 ten men from Malabar were transported as slaves to St. Helena. Long: *Selections from Unpublished Records of the Government of India* I pp. 54 and 85. See also Seton-Karr: *Selections from Calcutta Gazettes* (Cal. 1864-65) II pp. 132-34, 228-29 and 291 for the traffic from Bengal in 1789-91.

even on fair terms, and with their record of a dark past the planters could not expect an adequate supply of free labour from Africa. The permanent residents of the plantation colonies had also, thanks to a bountiful nature, no urge to work as hired labourers. The picture is summed up in the following statement in the *Report on Emigration from India* (Cd. 5192, 1910): "It seems to be an undeniable fact that in tropical climates where the needs of the indigenous population are few and simple, and where there is an abundance of fertile land open to the use of that population for the satisfaction of those needs, it is impossible to obtain from local sources except by compulsion a sufficient supply of labour for the development of industries dependent on steady and continuous work. Wherever these climatic and economical conditions prevail, recourse must be had for the prosecution of such industries, to the introduction of some alien race whose previous traditions and methods of work have inculcated habits of steady and regular work" (Para 85).

The importation of Asiatic Labourers would have been inevitable even if the emancipated Negroes or the aborigines were willing to work on offered terms, for it is doubtful if an adequate number of skilled workers could have been found to meet the needs of the ever expanding plantations. This is corroborated by a contemporary Civilian of Bengal, J. P. Grant, who refuted the charge that colonial capitalists were vindictively trying to throw the emancipated Negroes out of employment by introducing cheap Indian labour.[15]

Efficiency of Indian Labour. The imported Coolies belonged to two countries, China and India. The Chinese were particularly efficient in mining work and flowed into the tin

[15] I. R. D.: Home Public, 1840 Nov. 4, No. 16, para. 26 and Emig. O. C. 1840 Nov. 4, No. 15, para 16.

mines of Malay and the gold fields of Australia. As Indians were and still are good at agricultural operations they flowed into Mauritius and West Indies.[16] The questions of standard of living or climate did not deter an Indian as they did a Whiteman in Mauritius or Jamaica. Mukerjee rightly points out that the lower basal metabolism of an Indian as also his smaller physique require lower protein consumption. Hence with much less food and clothing an Indian can do more work than his heavily equipped Western compeer.[17] He is not unfamiliar with the climate there; it is his home climate so to say. So he does not demand exorbitant wages to prop up a standard of living which is equally injurious to his health and work. Moreover an Indian peasant is the inheritor of a dynamic and living agricultural tradition of centuries. Therefore, physiologically as well as sociologically, an Indian peasant is better fitted than his Nordic or Negroid rival. To quote Mukerjee again: "With his adaptive crops, and agricultural methods and practices, he can be more successful in climatic regions similar to his home country than natives or colonists with either inferior or disparate culture or standard of living".[18]

Coolie Emigration and World Economy. It was indeed a lucky coincidence for colonial capitalism that the tapping of

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[16] "Chinese and Indian emigrants have created new colonial values, made whole regions of British tropics into paying assets, and created within the British Empire a new Indian Empire in the British West Indies and a new Chinese Empire in the British Straits Settlements". Knowles: *Economic Development of British Overseas Empire* (Lond. 1924), p. 183.

[17] Mukerjee: *Op. cit*, pp. 9-10. Cf. the following remark of Marshall though made in a different context: "the unhealthiness of India for the young children of Europeans is in effect a Protective duty of perhaps 50-100 per cent in favour of Indian enterprise in India as against European". Pigou: *Memorials of Alfred Marshall* (Lond. 1925), p. 472.

[18] Mukerjee: *Op. cit*, p 10.

this new source of man power took place at a time when national economy was just giving place to world economy. The introduction of steam transport led to unforeseen international and inter-continental migration in the 19th century and even the changeless East was disturbed.[19] Hungry millions were moving in search of bread and adventure.

[19] Knowles: *Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century* (London, 1921), p. 231.

CHAPTER II.

BEGINNINGS OF COOLIE RECRUITMENT.

The First Emigrants. The Charter Act of 1833 played not an insignificant part in the solution of colonial labour problems. If the invasion of Indian market by the machine-made commodities of industrialised Britain completed the "involuntary unemployment" of the Indian labouring classes,[1] the remedy for the evil came from unrestricted entry of the Europeans. If the merchants of Britain looked forward to the raw materials from India, the merchants of the plantation colonies looked forward to the inexhaustive supply of labour from India. In the history of the quest for Asiatic labour the year 1833 will ever remain a land-mark.

It is not possible to determine the exact year in which colonial capitalism recruited and transported Indian Coolies for the first time. Available sources, both manuscript and printed records, do not help us much, though all agree that the traffic had already begun when slavery was finally abolished in 1833-4. Our task is rendered more difficult by the fact that Indians had been travelling to, and sometimes settling in, distant lands like Madagascar and Mozambique in the West and Indo-China and Java in the East long before the advent of the European merchants.[2]

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[1] Discussed in Chapter IV of Part I, "The Rise of Wage-Earners."

[2] When Europeans first visited Madagascar they found its inhabitants to belong to 3 types: Negroes, Arabs and Indians. Johnston: *A History of Colonization of Africa by Alien Races* (Cam. 1913), p. 29. Mozambique and Zambesi started active contact with India under Portuguese auspices. *Ibid*, pp. 104-5. Re: Indians in the Eastern Asia there is a rich literature which it would be sheer waste of space to describe here.

Hence in face of Indian settlements abroad and in face of the slave-traffic from India even towards the close of the eighteenth century[3] one may reasonably claim that recruitment and transportation of free labourers from India started with the opening years of the nineteenth century, particularly since acute labour shortage in the sugar colonies was felt even before the Napoleonic wars were over. The slave trade in the British Empire was stopped in 1807 and it is interesting to note that as early as April 4, 1811 there was a motion in the House of Commons to consider the suitability and practicability of raising recruits in the East for service in the West Indies Colonies[4]. The Select Committee appointed for the purpose brought forth the report entitled *Supply of Labourers from the East.*[5] This document is not available in India and exigencies of the War prevent its being obtained from India Office. So we must content ourselves with the premise that by 1810 the utility of Asiatic Labour had already attracted notice of the Planters and the Parliamentarians. Martin in his *History of the British Colonies* (Lond. 1834) indicates that in the twenties of the century 'Bengalies'. 'Hindoostanies' and South Indians were already well settled in the East Indies[6] and that Mauritius contained Hindoos

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[3] See foot note 14 of preceding Chapter.

[4] *Hansard*, Volume XIX, pp. 708-9. Mr. Barham rose to bring forward a motion upon the subject of Free Labourers for the West Indian Colonies ...... the honourable gentleman concluded by moving "that a Committe be appointed to consider of the practicability and expediency of supplying our West India Colonies with the labourers from the East and to report their opinion thereupon".

[5] PP 225 of 1810-11. (I have found this reference in the *Index to Parliamentary Papers relating to India.*)

[6] Vol. I, pp. 414-5, 422 and 430-32.

among other foreigners.[7] The Chinese, as is to be expected, were prominent in the Straits Settlements in view of their skill in mining operations. On the other hand their inability in agricultural pursuits was betrayed by the ill success of Chinese labour in Trinidad in 1816.[8] Captain F. W. Birch, the Superintendent of Police, Calcutta, in his evidence before the Calcutta Committee on Emigration (1838) asserted his belief that emigration to Mauritius and Bourbon had started about the year 1819.[9] Dr. F. J. Mouat[10] in course of his reply to a Government enquiry regarding condition of the Coolies in Bourbon traced the traffic back to 1826.[11] These were his exact words: "A few Indian servants and Chinese must have found their way to Bourbon in vessels trading to and from Asia very many years ago, and provision was early made for their proper treatment as well as for their deportation in the event of their becoming dangerous, useless or a burthen to the Colony. I have not however been able to learn the precise period at which the importation of Coolies from the Coromandel Coast commenced. I believe that it was shortly after the publication of an able and very elaborate statistical report furnished to the Government of Charles the 10th by a Mons. Thomas and published in Paris in 1826". The passing of two Acts by the Government of Bourbon in 1829 " relating to the labouring classes consisting of Indians, Chinese or others belonging to the free popu-

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[7] Vol. IV, p. 186.

[8] Martin, Vol. II, p. 246. Lucas traces first Chinese immigrants in Trinidad back to 1806. *A Historical Geography of British Empire* Vol. II (Oxford, 1905) p. 243.

[9] PP 45 of 1841.

[10] Surgeon, educationist and social reformer associated with the foundation of Calcutta University.

[11] I. R. D.: Home Pub. 1852, June 11, No. 29.

lation of Asia"[12] presupposes such migrations and corroborates Dr. Mouat. Civilian Geoghegan in his Report on Indian Emigration[13] left aside all conjectures and would commence the story of systematic exportation of Coolies with the year 1830, when a French merchant Joseph Argand carried about 130 artisans to Bourbon.

Slavery Abolition and Systematic Exportation. The apprehended abolition of Slavery and its actual abolition in the Empire made the Coolie traffic a brisk and lucrative business. Houses or firms for recruiting labourers were opened in ports like Calcutta and Madras. These firms spread a net-work of Indian crimps all over the Gangetic Valley and the Coromandel Coast. The start was thus fairly promising. The Coolies had to enter into an indenture for a number of years on certain conditions of service laid down in black and white. The first batches were mostly recruited for Mauritius; the rest for Bourbon and other Colonies. Yet it is by no means easy to ascertain accurately the number of heads tranasported to Mauritius during the first few years. A Bengal Civilian visiting Mauritius towards the end of 1836 found about 4000 Indians there.[14] In two years more 19000 were added to the Indian populations of Mauritius and Bourbon.[15] Of these 18000 were shipped from Calcutta and the rest from Pondicherry, Cochin and Bombay. In 1838 British Guiana had two shiploads from Calcutta; there were 400 Coolies.[16]

[12] I. R. D.: Home Pub. 1837, Feby. 22, Nos. 10-13.

[13] PP 314 of 1874.

[14] I. R. D.: Home Pub. 1837, April 15, No. 7.

[15] I. R. D: Home Pub. 1840, Nov. 4, Grant's Minute.

[16] PP 314 of 1874, Part II, p. 98. Details about the distribution of these Coolies among different planters and their conditions of service and living are available in PP 464 of 1839.

Trinidad in 1851 had about 4000 East Indian Coolies.[17] Most of them must have migrated towards the end of the forties but the possibility of a few being imported in the thirties cannot be ruled out in view of Trinidad's early quest for Asiatic labour.[18] Besides the planters of the West Indies and Mauritius, the farmers and colonists of New South Wales had also realised the worth of Indian peasants and during the Christmas of 1837 forty two coolies arrived at Sydney.[19] Representations from the Government of Western Australia for Coolies reached Indian authorities by 1840.[20] Emigration to Australia had to stop however, due to ban being imposed by Colonial Office for fear of racial intermixture.[21] Emigrations to other Colonies began years after the period under study and have been left out.

Feeder Areas and Communities. The ports from which embarkation took place during the thirties were mainly Calcutta and Madras; some were shipped from Pondicherry and Cochin, and the rest from Bombay. Coolies embarking from Calcutta were universally known as Hill Coolies in view of the fact that the Hill Districts of the then Bengal Presidency formed the main feeder for Calcutta 'houses.' They were the Kols, Santhals and Dhangurs, the aboriginals and backward classes of Hazaribagh, Ranchi, Gaya and Santhal Pargana. These Coolies were readily available because Lord Auckland pointed out in his Minute dated July 3, 1838: "It is in the

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[17] PP 314 of 1874, p. 118.

[18] See foot note 8.

[19] PP 45 of 1841. Deposition of John Mackay, a Sydney merchant and Arthur Onslow, a Madras Civilian before the Calcutta Committee.

[20] I. R. D.: Home Pub. 1840, July 8, Nos. 6-7.

[21] Mills, R. C.: *The Colonization of Australia, 1829-42* (Lond. 1915), pp. 299-300. Morrell: *British Colonial Policy during the Age of Peel and Grey* (Oxford, 1930), pp. 43 and 90.

national habit of the Hill Coolies to leave his home to labour for considerable periods, at a distance, and either to visit his family periodically, or to accumulate a small sum of money, and to return and settle in his Native Country".[22] Along with the aboriginals and socially backward peoples men of other castes like Ahirs and Chattris and sometimes even Brahmins from Behar and Upper India would get themselves recruited. There were also Moslem peasants from Upper India.[23] Nor were Bengalis proper wanting. Poor peasants and artisans of Western Bengal (Midnapore, Birbhum, Bankura and Burdwan Districts) stood second to the Hill Coolies in the numbers recruited for overseas work. From Bankura District only about 200 men went to Mauritius in a single year, that is, 1838.[24] The Coolies despatched from Madras Ports were mostly the peasants of Malabar, who were just "slaves of the soil" and paupers from Mysore and other parts of the south.[25]

Abuses and Agitation. As was to be expected, from the very beginning gross abuses characterised the recruitment, transportation and employment of the illiterate and poor Coolies. In the next chapter a fuller discussion of these evils will be attempted. In passing on it may be pointed out here that fraud and even force played a large part in recruitment. Kidnapping was not unknown either in the north or the south.[26] Full advantage was taken of the ignorance of the Coolies. Many of them, even when told about their destinations could not guess the distance of Mauritius or Demerara from their own villages. They signed the identures

[22] I. R. D.: Home G. G. 1838 July, No. 1.

[23] Grierson: *Report on Colonial Emigration*; PP 463 of 1839.

[24] PP 45 of 1841. C. B. Taylor's returns pp. 184-92.

[25] I. R. D.: Home G. G. 1839 Jan. No. 2.

[26] Even as late as the seventies kidnapping for this purpose was practised in U. P.

without understanding the contents. The crimps held before them a vision of the Kingdom of Heaven. This vision would get its first shock even before they had embarked. For in the ports of embarkation the Coolies were usually kept under lock and key with armed guards as an additional precaution. During the voyage they were in many cases treated like beasts of burden. Their employers in the distant Colonies were all absolutely strangers and except a few like Sir John Gladstone of British Guiana[27] were cruel and indifferent to the comforts of the employees. The number of female recruits being infinitesmal promiscuity resulted even during the voyage. In the plantations illicit intercourse with Negro women was inevitable, particularly when the example was set by the masters who very often seduced Coolie women.

Indian intelligentsia resented the traffic from almost the very beginning and the allegations against the planters soon created a combined opposition of European missionaries, Indian land-holders and educated public. A number of European merchants settled in India and a few officials also discovered the fallacy of permitting this neo-slavery.[28] Lord Auckland's Governor-Generalship (1836-42) roughly coincided with the first phase of this systematic Coolie transportation. The Indian Law Commission was consulted[29] under instructions

[27] Father of the great English Liberal, William Ewart Gladstone. As a slaveowner Sir John had been famous for his kind treatment of the slaves. It may be questioned how far this treatment was inspired by real christian piety and how far by the bourgeois instinct of obtaining better returns from investment in human flesh. It may also be added here that Sir John's lenient treatment made young Gladstone then in the Conservative ranks, lose sight of the real issue and cross sword with the abolitionists.

[28] *Mirror of Parliament*, 1837, Vol. III, p. 2180; 1838, Vol. VII, pp. 5970-71.

[29] I. R. D.: Home Pub. 1836 May 25, Nos. 1-2 and 1837 Feb. 1, Nos. 12-13.

from the Court of Directors,[30] reports were requisitioned from two Civilians (Parry Woodcock and T. C. Scott) who had visited Mauritius[31] and correspondence was carried on with the island government.[32] When some of the allegations proved to be true Auckland's government stepped in and with the hope that a few regulations would check the evils passed two Acts in succession (V and XXXII of 1837). The main provisions were that none was to be exported without permit from the Government Officer specially appointed, that such permits were to be issued only when the Officer was satisfied about the fairness of the contract, and that no contract should stipulate for more than five years in the first instance at the end of which the emigrant was to have the option of being despatched back free of cost and that proper arrangements be made on board the vessels. But the abuses could not be checked due to the crafty resources of the planters and their Indian agents. Hence the Directors authorised Auckland's Government to resort to complete prohibition as a temporary measure[33] and by Act XIV of 1839 the embarkation of Coolies was entirely stopped. The colonial merchants raised a hue and cry against this embargo. In the meantime Parliament had taken up the question, Lord Brougham leading.[34]

In August 1838 Committees were appointed in Calcutta, Bombay and Madras to report upon the allegations and the expediency of reopening the traffic. The Calcutta Committee submitted its report in October 1840 and advised the

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[30] I. R. D. : Home Pub. Letters from Court, 1835, Nos. 11 and 48.

[31] I. R. D. : Home Pub. 1837 Feb. 1, No. 15 and April 5 No. 7.

[32] I. R. D. : Home Pub. 1836 June 29, Nos. 5-7.

[33] I. R. D. : Legis. Letters from Court, 1838, No. 9.

[34] *Mirror of Parliament*, 1838, Vol. VII, pp. 5970-71; 1839, Vol. V, pp. 4192, 4272.

continuance of the embargo.[35] The Bombay Committee reported that no such abuses prevailed on that side of India[36]. The Madras Committee made no contribution of value[37].

[35] I. R. D.: Home Pub. 1840 Nov. 4, Nos. 15-19 and Emig. 1840 Nov. 4, No. 20; PP 45 of 1841.

[36] I have culled this information from Geoghegan's Report, PP 314 of 1874. I have not yet been able to obtain this document.

[37] PP 314 of 1874.

CHAPTER III.

THE EMBARGO AND THE ENQUIRY.

In this chapter we shall discuss the proceedings and the conclusions of the Calcutta Committee on Emigration (1838-40). As indicated in the last chapter this was not the first enquiry into Coolie traffic. Observations of two individuals under Government requisitions, were recorded towards the end of 1836. These formed the reports submitted by two Civilians, Parry Woodcock and T. C. Scott, both having adequate personal knowledge of Mauritius and the Coolie emigration thereto. As these reports were responsible for the restrictions devised by Acts V and XXXII of 1837[1] it will be in the fitness of things to start with small notices of these reports.

Woodcock's Report.[2] Among the causes of emigration Woodcock assigned an important place to inability to pay rent. He condemned the frauds practised by the recruiting agents and emphasised that the fact of hard or rocky soil of Mauritius was never divulged to the intending recruits. He noticed that all the planters were united in praising, the character and general disposition of these people and that the preference for the Indians over the Negroes was due to the formers' 'cleanly habits and quiet and docile dispositions'. He also recorded that the Government of Mauritius felt that the Indian free labourers would be a moral example to the Negroes who were just then passing from slavery to freedom through the transitional stage of apprenticeship. For the checking of abuses

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[1] The failure of these restrictions led to the embargo (Act XIV of 1839).

[2] I. R. D.: Home Pub. 1837, Feb. 1, No. 15; and Emig. Legis. 1837, March 6, Nos. 4-13.

Woodcock suggested among other things the appointment of magistrates at the ports of embarkation for interrogating each emigrant.

Scott's Report.[3] Scott's Report though not a mine of information like that of Woodcock bore the stamp of superior intellect. He approached the subject as an economist and grappled with the subtler issues. The relative position of India and Mauritius as regards the supply and demand of labour formed the basic point of Scott's dissertation. In his words, "The great demand for labour in the Mauritius, and the superior remuneration it obtains, when compared with India, after allowing for the increased prices of provisions, places the labourer in a position and gives him an importance there which he might look for in vain in his own country". "The labour was in a formidable position". But measures were necessary to enable the coolie to earn his due, and "to effectually prevent any approximation of the condition of the of the Indian to that state from which the Negro has been delivered". Scott was fully cognisant of the grave abuses. He suggested strict police vigilance, short term indentures, and trilingual stipulations (British, French and Hindoostanee) particularly to obviate frauds in weights and measures of rations. He asserted that the provision of rations in lieu of half the salary was not so much in the interests of the employees as in those of the employers. The salary was usually Rs. 10/- a month, or Rs. 5/- plus certain provisions every month. Though there were on many occasions and in many estates disputes about the quantity and quality of the rations, the coolies in consideration of the fluctuations in prices and

[3] I. R. D.: Home Pub. 1837, April 5, No. 7; and Emig. Legis. 1837, March 6, Nos. 4-13.

difficulties in procuring food commodities in daily market in a foreign land preferred the rations scheme. The master however by buying in a low market and at wholesale rates was cleverly reducing the total money wages. So he was spending not ten but 'ten minus X' rupees per head of coolie. Scott examined the higher standard of wages offered by the Mauritius planters from the standpoint of cost of living also. True a coolie could not earn more than five rupees in total money wages in India. But ten rupees, or 'ten minus X' rupees in Mauritius did not offer an exactly double rate of wages in view of much higher cost of living there.[4] So the high standard of wages was an illusion produced by "the united ignorance of the Emigrant and eloquence of the Crimp".

The Calcutta Committee : Its Personnel. The Calcutta Committee (1838-40) was composed of Messrs T. Dickens (Chairman), J. P. Grant, W. F. Dowson, Rev. James Charles, Babu Russomoy Dutt and Major Edward Archer. It has not been an easy task to gather biographical details about these gentlemen except Grant and Dutt.

Theodore Dickens was a leading merchant and a public man. His critics described him as a speculator in sugar and indigo, a partner in a leading plantation house in India and one of the principal speakers in the anti-emigration meeting held in Calcutta in July 1836.[5]

John Peter Grant (1807-93) was the distinguished Civilian who later on became member of the Governor-General's Council (1854-9), Lt-Governor of Bengal (1859-62) and Governor of Jamaica (1866-73). At the time of the enquiry he was Secretary to the Indian Law Commission. It is curious that in his

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[4] It was a question of real wages. Scott used the expressions 'money wages' and 'standard of wages'.

[5] PP 26 of 1842; and I. R. D. : Rev. Cons. 15 June 1839, No. 4.

biography by Seton-Karr, which is a mine of information, his association with this enquiry is entirely left out.

William Frank Dowson, as it appears from his own deposition as a witness before the Committee, was a partner of Messrs Henley Dowson & Co. This firm was actively engaged in the export of Indian labourers since 1836 and actually between 1836 and 1839 sent 6000 Coolies to Mauritius and 51 to Bourbon.

James Charles was a clergyman who had taken an important part in the agitation against exportation of Coolies.[6]

Russomoy Dutt, the only Indian member, was a leading social worker of those days. He was the first Indian to be appointed a Commissioner of the Court of Requests. As a sound financier he was prized in any movement. He was one of the founders of the Hindu College and Secretary to the Council of Education and also the Sanskrit College. His hostility to emigration had made him notorious with the colonial merchants.[7]

Major Edward C. Archer was the Private Secretary to Lord Combermere, Commander-in-Chief in India, 1825-30. He came from the British Army and stayed on after the departure of Lord Combermere. He recorded his travels and experiences in India in *Tours in Upper India and in Parts of the Himalayas* (Lond. 1833). He also visited Mauritius and Bourbon and possessed adequate personal knowledge of the plantations. Fanny Parkes, the author of the famous travel book *Wanderings of a Pilgrim in search of Picturesque during Twenty Four Years in the East* (Lond. 1850), was his daughter. In his daughter's opinion the Major was one of the noblest and best of men.

It is clear from the foregoing that the Committee was a composite body and that the Government wanted full

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[6] PP 26 of 1842.

[7] Ghose, *Indian Chiefs etc.*, II, p. 86; and PP 26 of 1842.

representation of all shades of opinion and all classes of interest. No unanimity could be expected from such a body. T. Dickens, Rev. Charles and Russomoy Dutt in their majority report advised continuance of the embargo, while J. P. Grant and W. F. Dowson in separate minutes advocated resumption of the emigration.[8] Major Archer had left India at an early stage and did not participate in the framing of the reports.[9]

The Evidence Before the Committee.[10] The Committee in its fifty sittings had to scrutinise a huge mass of evidence written and oral. Nearly forty witnesses selected from all classes and situations had to be examined. Returned coolies, merchants interested in such emigration, humanitarians, police officers, magistrates, captains of coolie ships, and persons with experience of the plantations were all invited to express their opinions in writing or orally. Most of the witnesses confirmed the stories of abuses and there was an overwhelmingly anti-emigration bias. Considerations of space prevent us from reproducing these depositions. We cannot however resist the temptation of reproducing in extenso THE EXAMINATION OF DWARKANATH TAGORE.

"Are you not a justice of peace for Calcutta ?—Yes, I am.

In that capacity have any complaints been laid before you by Coolies about to proceed to the Mauritius ?—The syce of my

[8] I. R. D. : Home Pub. 1840 Nov. 4, Nos. 15-19 and Emig. 1840 Nov. 4, No. 20; PP 45 of 1841.

[9] Thirty years afterwards Geoghegan failed to obtain Archer's views, "if indeed he ever put them on record". PP 314 of 1874. In their reply to the Majority Report the Free Labour Association of Mauritius asserted that Major Archer in a letter to Lord John Russel had thus opposed the majority view point : "The most lynx-eyed friend of the ill used Indians may sift over and over the evidence laid before Parliament, and be unable to find wherewithal to criminate the inhabitants of the Mauritius *en massee*". PP 26 of 1842, p. 7.

[10] PP 45 of 1841.

partner, Mr. William Prinsep, came to me to complain that his brother was kept in confinement by the duffadars, with the view of being sent to the Mauritius; I sent him to Mr. McFarlan, the Cheif Magistrate, and after a great deal of trouble, his brother was brought to the police. The other party alleged that the man had recieved an advance of a rupee, and the magistrate decided that he could not release him till the rupee was paid, and as the brother could not afford to pay it Mr. Prinsep sent it from his own pocket.

Do you know of any other cases of your own knowledge ?—I know of several other cases. The brother of a servant in the employ of Baboo Neel Rutton Holdar, came to me complaining that some of the duffadars had forcibly taken his brother to the Mauritius; but nothing could be done in this case, as the ship was gone. And many other cases of the same kind occurred.

From your knowledge of the people of this country, of the class which has been exported, do you belive that they could be easily influenced or persuaded to leave their homes to go beyond sea ?—From what I know of the lower class of natives, I am persuaded that they would be easily induced by the village gomastha, or the mundel of the village, or any other influential people, to leave their homes and come to Calcutta, or any other distant place; but if they perfectly understood that they would be required to go a voyage of a month or six weeks, it would be difficult to get their consent. If they were persuaded that they were going near Europeans, for whom they have a great respect, that they would soon come back, and that they would derive great advantages from the employment, they would be more likely to comply.

Have you had any of the people of the Dhangas in your employ, and, from what you know of their habits, do you belive that they would easilly be persuaded to leave their homes

and families for five years ?—I think not. I know this, that in indigo factories we cannot keep them a whole twelvemonth, even by giving them their full salary when they are not at work. At the end of the manufacturing season, they return to their homes for two months. I have induced some of them to come with their families and settle, and they remain the whole year, but those who do not bring their families always return to their homes. They are as much attached to their families as any civilized people.

What wages do they ordinarily receive, and are they able to effect any saving out of them ?—They get from three to four rupees, and their expense for living is one rupee eight annas. They send part of their savings to their families, and with a part purchase silver jewels for their children.

Do you think the Coolies or labouring classes in Bengal are generally well off ?—Why, I think it has improved, compared with what it was before. Sometimes when there is a famine, an inundation, or any similar disaster, they are in a very wretched condition.

Is there not much misery prevalent among these classes ? —Certainly not in Bengal, I speak only of Bengal. I am not well acquainted with the condition of the people in the upper provinces.

Bengal being very populous, to what cause do you attribute it that these Dhangas, who are emigrants from the hills, find such ready employment at good wages ?—The natives of Bengal are naturally an idle set of people, and the labouring class generally have a little land of their own on which they work, and although it is not sufficient to employ their whole labour, it is sufficient to afford them the means of subsistence. Hence they are not good workmen, and the Dhangas or Hill Coolies, being much better workmen, are

preferred by indigo planters, and others who employ many labourers.

Have you not been engaged in various experiments in the cultivation of the sugar cane and manufacture of sugar in different districts of this presidency ?—I am the first person who commenced cultivating sugar-cane by the European process, and under European superintendence, in India. I cultivated about 600 beegahs at Barripore, with Otaheite cane, and also advanced money to natives, and gave them cuttings of Otaheitan cane for them to cultivate it, and I bought the cane from them. I put up horizontal sugar mills, with a steam-engine. The Cane grew to a large size, but only a few seers of sugar were produced, not one maund. The next year I tried China sugar-cane, and though it produced sugar, the quantity was small. I sent Mr. Henley, the English superintendent, whom I had hitherto employed to learn the practice of sugar planters at Mauritius, and on his return I tried the experiment for a third time, but I found that though I could produce sugar as good as that produced by natives, with the common native process, the cost price, exclusive of interest on my original outlay, was more than double the common selling price of sugar in the bazar. I lost more than two lacs of rupees by the experiment at Barripore. I then tried similar experiments in the districts of Ghazepore and Pubna, two remarkably fine sugar districts, for three seasons, under different European superintendence, but these experiments failed in the same way. My European superintendents at last came to the opinion, that they never could make sugar in India so cheaply as the natives now do. I still make sugar largely, but I buy the goor from natives, and the sugar costs me one fourth of what it did when I cultivated the cane and boiled the juice. After the repeated failures above mentioned, I have now reverted to the native process."

The Majority Report. The findings of T. Dickens, Rev. Charles and Russomoy Dutt may be summarised thus. They were convinced that the native crimps practised "gross misrepresentation and deceit" and that the European and Anglo-Indian shippers and undertakers used force in transporting the coolies. The police authorities were neither endowed with requisite powers to tackle with the evils nor quite vigilant. The Eurasian undertakers and the native crimps appropriated a large part of the money sent by the planters to be paid as advance wages to the recruits. After due allowances for the exaggerations and the biassed feelings the Committee had to accept the charges of cruelties against the planters and of indifference of the local police of Mauritius. Though Europeans of unimpeachable honesty had testified to the generally satisfactory condition of the coolies in Mauritius, the Committee felt bound to be guided by the experiences and feelings of the returned coolies since all the coolie witnesses except one spoke against the planters. Non-payment of wages was a frequent charge and the Committee found that "no money wages at all seem to be paid in majority of instances." The Committee could not believe that there was "a superabundance of labour in British India" and pointed out that fragmentation of holdings and famines were responsible for the distress of ryots in upper India. About the stipulated wages the Committee discovered the staggering fact that while a coolie was paid at the rate of eight shillings a month a Negro charged at least two shillings a day. "The question therefore is not simply whether the coolie gets better money wages in Mauritius when unincumbered with his wife and children, than he would in India but whether if contracts were abolished as being made between parties of unequal understanding and knowledge and merely voluntary emigration took place the coolie would go to Mauritius in such number as to reduce

wages to the contract level." Hence the Committee held that the introduction of such low paid labourers would run down the emancipated Negroes. They were convinced "that the permission to renew this traffic would weaken the moral influence of the British Government throughout the world and deaden or utterly destroy the effect of all future remonstrances and negociations respecting the Slave trade." They also advised a number of very stringent and wise measures to control such emigration in case the Government turned down their recommendation for continuing the embargo.

Dowson's Minute. W. F. Dowson characterised the majority to be carried away by sentiment and bias. He refused to accept the allegations against the planters and refuted the contention of the majority that no laws or regulations could be adequate to check the evils complained of. Dowson being himself a trader engaged in exporting coolies. we need not devote much space to his reasonings. We may however cite his argument against the charge of out-manoeuvring the Negroes with cheap labour from Asia. "The labourers who inhabit the Mauritius are in no such position, but in that of men having no patriotic rights whatever, as Children of the Soil, and whose object and practice it is to keep up the price of labor at a monopoly rate, altogether ruinous to the commerce of the Island." Dowson conveniently forgot that his own tribe could not claim to be children of the soil.

Grant's Minute. The note of dissent submitted by J. P. Grant admits of a much greater attention. It came from the pen of an official connected with the suppression of the social abuses and formulation of legislative reforms in this country. It was nearly double the size of the majority report and aimed at a dispassionate study of the whole problem. Grant 'thought more unfavourably than Mr. Dowson, of the Cooly

Trade as it was carried on, and of the treatment of the labourers.' But that was not quite sufficient to deny absolutely and for good the right of contract on the part of the labouring population. For, such a prohibition besides stopping the voluntary and spontaneous emigration of ordinary agricultural labourers would spoil the prospects of all adventurous and enterprising skilled labourers and artisans for whom also there was much demand in Mauritius for a very large number of additional labourers. As regards the allegations of kidnapping, or hardships on the journey Grant stoutly believed that they could be easily stopped if laws were properly framed and executed. He was also convinced that proper remedies could be devised for checking the evils in the plantations. Grant also dilated on the potentialities of a free and spontaneous emigration. Its benefits to India would be not merely that it would widen the outlook, strengthen the physique or swell the purse of the individual emigrating, it would in the long run improve the outlook and prospects of the stay at home labourers. Its benefits to the Colonies were too patent, and hence he asked the planters to behave properly in their own selfish interests. "The interest of each portion of the Empire is best promoted by equal Justice to all portions."

CHAPTER IV

COMMENCEMENT OF MODERN INDENTURED LABOUR.

The Calcutta Committee submitted its reports towards the end of 1840. Lord Auckland in a minute of April 25, 1841 discussed these findings and recorded his own views.[1] It revealed a mental and intellectual struggle between a Whig statesman with decided laissez faire leanings and an 'Indian' Governor-General with humanitarianism. He was opposed on principle to the law which curtailed the individual's freedom of contract, though he fully realised that the prohibitory act was not in fact pressing hard upon the rights and privileges of Indians and that emigration had not yet become a widespread or popular habit. He hoped that by such emigration the labouring classes would gain new experiences and widen their outlook and this would have beneficent repercussions on the wages and living conditions in India. He did not conceal his desire to help Mauritius and other British colonies and even foreign colonies by an adequate supply of labour. But he would not permit any fraud or force to interfere with the innocent lives.

He was familiar with "the iniquitious craft of the great city" but that was not sufficient for him to penalise "the small spirit of enterprise" which the artisans in particular were evincing. This was indeed the Manchester School ideology and it contributed to the reopening of the emigration under certain conditions. On a perusal of all the papers laid before the Parliament the British ministry ordered the Court of Directors to arrange for lifting of the embargo and for

[1] I. R. D.: Home Pub. 1841 May 12, No. 1.

introduction of state controlled emigration. So emigration of coolies was reopened by a number of enactments, which provided elaborate measures for the protection of the coolies. By Acts XV of 1842 and XXI of 1843 emigration to Mauritius was permitted. Other colonies were permitted to participate in this emigration later on.[2]

Closer control and stricter vigilance characterised this new phase of emigration known as indenture system. Government as the protector of the coolies was witness to every indenture under which hundreds were recruited and engaged *en masse.* But some of the evils complained of in the thirties had not been entirely wiped off in the sixties or even much later.[3] The remedy lay more in the education of the ignorant masses of India than in the humanitarianism of the police officials. The abrogation of indenture system in 1921-22 is a sad commentary on the progress of literacy in India. Otherwise the traffic would have met with natural death long before that date.

So colonial capitalism could easily survive the crisis it was facing in the mid-nineteenth century. The great service rendered by the Indian emigrants does not require any detailed notice here. The note of dissent by Dowson[4] to the report of the Emigration Committee of 1838 and the hue and cry raised by the Mauritius Free Labour Association[5] bear contemporary testimony to the services of Indian labourers.

[2] British Guiana, Trinidad and Jamaica in 1845, Grenada in 1846, St. Lucia in 1857, St. Kitts and Natal in 1860, St. Vincent in 1861, Nevis in 1873 and Fiji in 1879; French Colonies of Reunion and Cayenne in 1860, Guadeloupe in 1873 and Martinique in 1874; Dutch Colonies of St. Croix in 1862 and Guiana in 1873.

[3] Malet: *Lost Links in the Indian Mutiny* (Lond. 1867), and Jenkins: *The Coolie, his Rights and Wrongs* (Lond. 1871).

[4] PP 45 of 1841.

[5] PP 26 of 1842.

It was the conditions at home, high rent, famine and lack of occupation, which drove the Coolies from their homes. Hence the time was opportune for the European plantations in India or outside. The situation might have been much different if the new-born Indian bourgeoisie had taken upon itself the task of industrialisation. Investment in newer fields would have created fresh avenues of employment.[6]

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[6] Cf. the doctrines of "investment multiplier" and "employment multiplier". Keynes: *General Theory*, pp.115 ff.

APPENDIX A.

WESTERN EDUCATION AND INDIANISATION : AN ECONOMIC INTERPRETATION.

I

"It was not till the nineteenth century that the economic foundations on which Indian Society had been built up were substantially modified, and hence the changes of the last hundred years have proved to be more fundamental than those which had preceded them. To the political writings and orations of Edmund Burke and of other British political philosophers and to the educational policy of Macaulay are sometimes attributed the revolutionary changes in Indian outlook. While this may be true in some measure, of even greater significance are the results that followed from the activities in India of the company of English merchants who exemplified in the east that economic thought and practice of which Adam Smith was the philosopher and James Watt the exponent". The statement is striking not so much because of the truth it contains as because of its authorship. It occurs in a report of Christian missionaries in no way friendly to "historical materialism".[1]

Western education as imparted by the Company-Raj was more a machine for turning out Clerks and Deputies than an apparatus for unfettered development of intellect. Teachers like Derozio were exceptions and his dismissal was in the fitness of things. That Western education was to an appreciable extent responsible for enlightenment is not denied, but this

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[1] *Report of the Commission on Christian Higher Education in India* (Oxford University Press, 1931), pp. 29-30. So far as I know this little-read report contains the best commentary on modern Indian renascence. The Chairman of the Commission was A D. Lindsay of Balliol, the well known critic of Marxism.

effect never formed a principal motive of the government. The motives of the government in the eighteen-thirties were not much different from those of the seventeen-eighties. Warren Hastings founded the Calcutta Madrassa to secure a steady supply of interpreters.[2] Lord William Bentinck's patronage of Western education was an accessory to his policy of Indianisation.[3] Bentinck's policy was carried to its logical consummation by Lord Hardinge. By his Resolution of October 10, 1844 he asked for preparation of panels of desirable candidates for government posts; such candidates were selected from schools of English education.[4] Ultimately a system of competitive examinations was instituted.[5] The value of education in terms of employment was so irrevocably settled that the Governor-General in a letter to the Queen informed her that even the Moslem schools were veering round Western learning[6].

As an example of the indifference to the real needs of of education we may mention the fact that *Reports on the State of Education* (*1835 38*) submitted by William Adam were not sympathetically considered and his scheme for mass literacy was not given trial even in a single district.[7] Nothing came out also of the plans for technical education submitted by Julius Jeffreys, a member of the Company's medical service and a noted scientific investigator.[8]

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[2] *Bengal Past and Present*, VIII, pp. 83 ff.

[3] Cf. Boulger: *Bentinck* (Rulers of India Series) pp. 159-61. See also Trevelyan: *On the Education of the People of India* (Lond. 1838), pp. 140 ff.

[4] "It gave English education its value in terms of livelihood". James: *Education and Statesmanship in India* (Lond. 1911), p. 32.

[5] Reference may be made to author's article in the *Proceedings of the Indian History Congress, Third Session*, pp. 1460-68.

[6] Benson & Esher: *Letters of Queen Victoria* (Lond. 1907), II, p. 34.

[7] Basu (ed.): *Adam's Reports* (Cal. 1941), Introduction.

[8] I.R.D.: Rev. Cons. 1835 July 13, No. 8.

II

Now as to Indianisation. The policy was essentially one of economy. Bentinck was nothing if not a master of retrenchment.[9] He had clearly realised that "a persistence in keeping the administration of India as an exclusive monopoly for the nominees of the East India Company would have ended in bankruptcy,"[10] and effected a considerable reduction in expenditure by offering a number of not-too-high posts to Indians on much smaller salary than what would be acceptable to raw cadets from England. Civilian Holt Mackenzie, who played a leading role in making English the *lingua franca* of India,[11] in his evidence before the Parliamentary Committee in 1831-32 adduced facts and figures to prove "that the finances of India would be much improved by the employment of natives, who are quite equal to Europeans in intellect".[12] The whole policy is best summed up in the following words of the Select Committee, "Intimately connected with every plan for the good government of India, and for the introduction of ameliorating changes into the present system, is all that relates to the habits, character, and capacity of the Native Population. It appears that at present they are only employed in subordinate situations in the Revenue, Judicial, and Military Departments. They are said to be sufficiently observant of the practical merits and defects of our system ; and to be alive to the grievance of being excluded from a larger share in the Executive Government, a disadvantage which is not considered

[9] His measures for economy had made him notorious with a section of civil servants. See in this connection Shore : *Notes on Indian Affairs.*

[10] Boulger, *op. cit*, pp 163-4.

[11] Letter from Secretary, Persian Department to the Committe of Public Instruction dated the 26th June 1829, cited in Trevelyan, *op. cit.* pp. 145-7 f.n.

[12] PP 735-I of 1831-32, Q. 888-93; and PP 735-II of 1831-32, Q. 80-87.

as compensated by the increased security enjoyed under British protection, compared with the precariousness of all tenure under former Governments: it is amply borne out by the Evidence that such exclusion is not warranted on the score of incapacity for business, or the want of application, or trustworthiness : while it is contended that their admission, under European control, into the higher offices, would have a beneficial effect in correcting the moral obliquities of their general character ; would strengthen their attachment to British dominion ; would conduce to the better Administration of Justice ; and would be productive of a great saving in the Expenses of the Indian Government"[13].

Much misunderstanding also prevails regarding the real import of Clause 87 of the Charter Act.[14] The clause is generally regarded to have thrown open all appointments to Indians. The Court of Directors in their Despatch of December 10, 1834 included a frank exposition of "the full spirit and intention of the clause."[15] The clause did not 'break down or derange the scheme of government' as the old method of recruitment and the education at Haileybury were to continue (Para. 105). 'The distinction between situations allotted to the covenanted service and all other situations' was to remain as before (Para. 107). On the otherhand the free entry of Europeans was likely to set up European candidates for non-covenanted posts (Para. 108). An extract from the speech of

[13] PP 734 of 1831-32, p. 21.

[14] "And be it enacted, that no native of the said territories, nor any natural-born subject of his Majesty resident therein, shall, by reason only of his religion, place of birth, descent, colour, or any of them, be disabled from holding any place, office or employment under the said Company".

[15] I. R. D.; Letters (Home Pub.) from Court, No. 44 of 1834, Paras. 103-106 relate to this issue.

Rasik Krishna Mallik[16] may be cited here: "We shall find, though such a clause is inserted, there are other things which render it nugatory. (Cheers) I allude to the necessity of education at the Haileybury College,[17] an institution which, from what I have heard of it, I should think the sooner it is abolished the better for all parties. (Cheers) The best school for those who are to hold office in India is India itself. (Cheers) All the lessons they receive at Haileybury can lead them but little to a practical acquaintance with the wants and feelings of the people of India. It must be by communicating with the natives, by speaking with them, by entering their wretched hovels, that any man can acquire that knowledge without which his best intentions will be in vain. (Cheers) This is an objection to the College upon general grounds, but I will show that the clause has the effect of rendering utterly nugatory that other clause which makes the native eligible to office. However one may regret the prejudice, still the natives entertain a prejudice that it is sinful for them to cross the ocean, much more to remain in England for years for the purpose of tuition. That being so, how can a native qualify himself for office? He must either give up his worldly prospects or his religion. (Loud cheers) It is another question whether the Hindoos are sufficiently advanced to be entrusted with high office, but while this prejudice exists if the legislature intended that clause to mean anything at all, they ought to have made some other provision to enable the natives to enter the civil service. (Loud cheers)" There is indeed much truth in the remark of an anonymous

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[16] The speech has been discussed in Part I, Ch. I.

[17] The clauses 103-107 provided for recruitment in England and education at Haileybury.

author that the declaration contained in clause 87 "is a piece of state-humbug in which Whigs so pre-eminently excel".[18]

It will not be out of place to mention here that the Chairman of the Civil Service Commission which in 1869, on the plea of doubtful computation of age, tried to disqualify three successful Indian candidates was no other than Sir Edward Ryan, who while a judge in India was a champion of higher education and a patron of the Hindu College. The candidates were Sripad Babaji Thakur (Bombay), Behari Lal Gupta and Surendra Nath Banerjea (Bengal), the last of whom was not a little stunned at the conduct of Ryan.[19]

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[18] *Observations on India* by a Resident there many years (Lond. 1853) p. 28.

[19] Banerjea: *A Nation in Making* (Oxford University Press 1925), pp. 13-16.

APPENDIX B.

A NOTE ON SOME CURRENT ECONOMIC CONCEPTS.

A consideration of certain concepts relating to economic theory and Indian economic conditions may be appended by way of conclusion. The object here is to show that many current notions of classical economics[1] do not find support from the facts described in the thesis. No finality is however claimed and our modest ambition is to excite and evoke judgment, not to influence and inform it.

I

It has been noticed that far from being shy native capital contributed not a little to the financing of early British capitalist enterprise in India.[2] In face of this either the charge of hoarding will have to be given up or the theory about hoarding will require considerable modification. It is customary for British economists to belittle the Indian practice of hoarding. It is scarcely realized that in pre-British days there were no government bonds or company stocks, and that hoarding was a form of providing against future.[3] It is well known how the habit of investment in government bonds or *Company Kagaz* has spread since the suppression of the Mutiny in 1857. Hence the investments in ornaments, precious

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[1] Marx coined the name "classical economists" to denote Ricardo, James Mill and their predecessors. Keynes extended it to include the followers of Ricardo, that is, John Stuart Mill, Marshall and Pigou. *General Theory*, p. 8 f. n. A time may come when Keynes would have to join the list. cf. the article on Keynes in *Indian Economic Journal*, 1944.

[2] Chapter II of Part I.

[3] Buchanan: *Capitalist Enterprise*, pp. 148-50.

metals, coins or in government bonds form but different degrees of "liquidity preference,"[4] and not silly uneconomic habits of hoarding. It is interesting to point out that long before the dissertations of Keynes and Hayek, Marx had distinguished between different forms of hoarding.[5]

Our investigations also do not support the classical theory of employment and we have seen that there may be situations worse than "the involuntary unemployment" of Keynes.[6]

II

We next proceed to record our observations on the economics of Coolie traffic. For the sake of convenience these have been grouped under different factors of production.

Land.[7] Land policy in the Colonies clearly bears out the tendency of the "haves" to shut out the "have nots". In Chapter I of Part II this policy, particularly Wakefield's

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[4] Keynes: *General Theory*, pp. 168-74; and Hayek *Pure Theory*, pp.400ff.

[5] Vide Section on 'Hoarding' in the Chapter on 'Money'. Marx's analysis of the functions of hoarding is worth perusal in this context. "Hoarding serves various purposes in the economy of the metallic circulation. Its first function arises out of the conditions to which the currency of gold and silver coins is subject We have seen how, along with the continual fluctuation in the extent and rapidity of the circulation of commodities and in their prices, the quantity of money current unceasingly ebbs and flows. This mass must, therefore, be capable of expansion and contraction. At one time money must be attracted in order to act as circulating coin, at another, circulating coin must be repelled in order to act again as more or less stagnant money. In order that mass of money actually current, may constantly saturate the absorbing power of the circulation, it is necessary that the quantity of gold and silver in a country be greater than the quantity required to function as coin. This condition is fulfilled by money taking the form of hoards. These reserves serve as conduits for the supply of withdrawal of money to or from the circulation, which in this way never overflows its banks" *Capital* (Ed. Untermann), pp. 150-51.

[6] Chapter IV of Part I.

[7] The term has been used here in a plain sense.

philosophy has been discussed to show that price of land was deliberately pushed up to prevent the poor settlers and working-class colonists from the mother country from acquiring any lands. It was thus a denial of two basic facts, that land was a free gift of nature and that it belonged to the community as a whole. It was the first and basic victory of the colonial Nabobs. The right of private property was sought to be confined to a very small circle. In the 'plantation colonies' the landowner was very often the capitalist entrepreneur. Hence exploitation of labour in the plantation industry was far greater than that conjured up by Henry George under normal conditions.

On the other hand the very fact that Coolie labour saved the sugar plantations from ruin proves that utility of land is nil without co-operation of labour. Hence there is perhaps some truth in the Marxian concept that utility or rent of land is produced by surplus labour.[8]

Labour. This leads us to the second factor of production.

We have noticed that long before slavery was abolished colonial merchants had been investigating into the wisdom of employing free labourers from India and China, and that some were actually engaged before the abolition. This was not entirely due to the apprehension of the abolition of slavery. Intellectually capitalism marks a great advance on feudalism. For capitalism had early recognised the cheapness and superiority of free labour. Adam Smith stressed it as much on material grounds as on moral grounds.[9] So the creation of a

[8] "All ground rent is surplus value, the product of surplus labour". (Marx). See Leontiev: *Political Economy* (Cal. 1942), pp. 215-20 and Strachey : *Theory and Practice of Socialism* (Gollancz, 1940), pp.75-6.

[9] "It appears, accordingly, from the experience of all ages and nations, I believe that the work done by freemen comes cheaper in the end than that performed by slaves. It is found to be so, even at Boston, New York and Philadelphia, where the wages of common labour are so very high". *Wealth of Nations* (Everymans Library Edn.), Vol. I, p. 72.

class of wage-earners was bound to happen with the growth of modern industry. The abolition of slavery did not affect the modern race of employers much. "As a producer of diligence in others, as extractor of surplus value and exploiter of labour power, capitalism, in its energy, remorselessness, and efficiency has outsoared all the earlier systems of production."[10] The story of Coolie traffic is a pointer.

There are other interesting facts under this head. As capital was outgrowing narrow limits of operation, labour was also, as early as the twenties of the century, outgrowing the narrow national frontiers. As if under some mysterious historical destiny White Capital and Coloured Labour were meeting to build up modern industry. Industry was emerging out of the 'closed system' and entering into 'international system.' To day it is a commonplace that under such 'open system' industrial investment in one country can affect employment and wages or production and prices in another country. To be short, employment to day is a matter of international economics.[11] With the origins of the Coolie traffic we can very well mark the beginnings of this system. If the Coolie traffic meant immediate reduction of heavy wages charged by the emancipated Negroes in the Colonies,[12] it ultimately meant rise in the wages of the agricultural labourers in the recruiting areas of India.[13] That explains the combination of the Indian land-holders and European planters in India against emigration since the middle of the century. It is also not inexplicable why inspite of the speedier growth of

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[10] Marx: *Capital* (Ed. Paul), p. 320.

[11] Beveridge: *Unemployment* (Lond. 1931), pp. 359-72; Keynes: *General Theory*, pp. 120, 270 and 381-82.

[12] Para 26 of the Majority Report of the Calcutta Committe (1838)

[13] Cf. Grierson: *Report on Colonial Emigration*, para. 78.

population in India and inspite of the improvement in the wages and living conditions in the Colonies in the second half of the century, the size of Coolie emigration did not grow progressively or even proportionately. Growth of capitalist enterprise in India was creating new fields of employment within the country. Here then is a clear illustration of the effect of investment on employment. To use modern jargons, the latter phase of Coolie emigration was due to the operation of "multiplier."[14]

Under this head we have also to note the fact that the wages of the Coolies were never determined by the magic of margin or the scissors of demand and supply. Leaving aside the allegations of cruelties and the non-performance of the promises, one can read exploitation writ large in the stipulations themselves. The first batches of Coolies in Mauritius were paid at the rate of 8 shillings a month, whereas the freed Negroes earned at the rate of 2 shillings a day.[15] Assuming that the freed Negroes were wreaking vengeance on their quondam owners we leave aside this comparison. But we have other staggering facts also. Though the Hill Coolies were admitted to be the best of workers of all races in British Guiana, they received much lower wages than the Germans, Maltese and the Portuguese.[16] It was thus the bargaining capacity of the different sets of workers and not their marginal productivity which determined the scales of wages. This conclusion becomes irresistible if it be a fact that even to-day there is no perfect competition. As Robinson has demonstrated with her mathematical tool-box that inspite of the enormous growth in the bargaining capacity of the workers labour is even to-day subject to exploitation under

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[14] Keynes: *Op. cit*, pp. 115 ff.

[15] Para 26 of the Majority Report of the Calcutta Committee (1838).

[16] PP 463 of 1839, No. 18.

discriminating wage policy.[17] Hence though the landless ryots and the occupationless artisans from India were enjoying, let us admit for argument's sake, better prospects in the Colonies they were subjected to a more real exploitation.

Capital and Enterprise. Little now, remains to be said under this head as the part played by capitalist enterprise in this traffic has already been indirectly emphasised under the heads land and labour. In the plantation colonies the same merchant was often the landowner, the capitalist and the enterpreneur. Thus rent, interest and profit all flowed into the same pocket. It was concentration or accumulation of capital par excellence and it rendered the exploitation of labour so real. Hence there could not be any scope for the free play of the forces of demand and supply.

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[17] Robinson : *Economics of Imperfect Competition* (Lond. 1936), Chapter 26.

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Page

8 footnote 17 delete second "and" from the name of Peggs' book

10 footnote 25 substitute "Industrialization" for "Indnstrialization"

25 line 7 delete the comma between "Dacca" and "Bank"
line 20 should be read as "Limjee, Cursetjee Cowasjee and Cowasjee Nanabhoy.[36]"

27 footnote 45 substitute colon for semicolon after "re" in line 3

32 line 15 substitute "community" for "commuuity"

41 line 5 substitute "convictions" for "convinctions"
line 14 substitute "instinct" for "instict"

52 footnote 1 substitute "literature" for "liter ture" in line 1

78 line 18 delete the words "of the"

92 line 18 insert a hyphen between "1835" and "38"

100 line 15 insert a hyphen between "To" and "day"
line 18 insert a hyphen between "to" and "day"

102 line 5 delete the comma after "now"

103 column 2 substitute "734 of 1831-32" for "734 of 1131-32"